TETRAGON

Half Yearly Report
Period Ended 30 June 2016

Tetragon Financial Group Limited Half Yearly Report 2016

Contents

TFG: Delivering Results Since 2005(1)(i)

Figure 1

RETURNS

ROE TARGET(ii)	AVERAGE ROE(iii)	2016 ANNUALISED ROE
10-15%	13.0%	4.5%
Annualised range	Since April 2007 IPO	30 June 2016

SHAREHOLDER RETURNS(iv)

SHARE PRICE

ONE YEAR	THREE YEARS	FIVE YEARS	SINCE APRIL 2007 IPO
+6%	+3%	+10%	+7%
To 30 June 2016 FTSE All-Share: +2%	*Per annum* To 30 June 2016 FTSE All-Share: +6%	*Per annum* To 30 June 2016 FTSE All-Share: +6%	*Per annum* To 30 June 2016 FTSE: All-Share: +4%

NAV PER SHARE TOTAL RETURN

ONE YEAR	THREE YEARS	FIVE YEARS	SINCE APRIL 2007 IPO
+17%	+14%	+16%	+12%
To 30 June 2016	*Annualised* To 30 June 2016	*Annualised* To 30 June 2016	*Annualised* To 30 June 2016

RETURNING VALUE

DIVIDEND YIELD	DIVIDEND COVER(v)	DIVIDEND GROWTH FIVE-YEAR CAGR
6.6%	3x	11.6%
30 June 2016	30 June 2016	*Per annum* To 30 June 2016

BUILDING VALUE

FAIR VALUE NAV(vi)	FULLY DILUTED FAIR VALUE NAV PER SHARE(vii)
$1.9B	$20
30 June 2016	30 June 2016

ALIGNMENT

PRINCIPAL & EMPLOYEE OWNERSHIP(viii)
23%
30 June 2016

(i)(ii)(iii)(iv)(v)(vi)(vii)(viii) Please refer to end notes for important disclosures.

Executive Summary

Tetragon Financial Group Limited ("TFG" or the "Company") is a Guernsey closed-ended investment company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG.NA" and on the Specialist Fund Segment[2] of the main market of London Stock Exchange under ticker symbol "TFG.LN". In this report, we provide an update on TFG's results of operations for the period ending 30 June 2016.[3]

29 July 2016

TFG generated Fair Value[4] earnings of $45.1 million in H1 2016, giving an annualised Return on Equity ("RoE") for the first half of the year of 4.5%. Whilst the RoE is somewhat below our long-term target of 10-15%[5], and below our long–term average of 13.0%, we are pleased with the RoE to shareholders over the first half, particularly given the poor results from many market indices and the performance problems of several alternative asset managers. Furthermore, our RoE may also be viewed in light of the fact that 10-year bonds (supposedly "risk free" returns) are close to, and in some cases below, zero in the major global economies[6]. Thus, as we have said for some time, we expect that our investment returns will be lower than our long-term goals while this environment persists.

TFG's performance can be measured by a number of metrics, including a long-term RoE target. In addition, we think it is useful to consider the growth in NAV per share. Fair Value NAV per share total return grew 6.4% in the first half of 2016. In line with other listed investment companies, we now report on the "Fair Value NAV Per Share Total Return" in addition to the simple "Fair Value NAV Per Share" in our Key Metrics.[7] We have added a chart showing this metric since TFG's IPO at the end of this Executive Summary.

During the first half of 2016, noteworthy positive performers were CLOs with net income of $45.1 million and equity hedge funds with net income of $12.3 million, while TFG Asset Management was negative during the first half, with a net loss of $1.9 million during the period.

Notwithstanding the small reduction in Fair Value NAV for TFG Asset Management, there were some positive events for the asset management business during the first half of the year: LCM performed well and increased assets under management ("AUM") from $6.1 billion to $6.4 billion; Equitix continued to raise capital with AUM rising from £1.88 billion to £1.94 billion; and TCI II[8] (a private equity vehicle that invests in CLOs) had a second close, and has over $200 million of committed capital as of the end of June. Furthermore, TCICM,[9] a CLO manager that is a subsidiary of TCI II and an affiliate of TFG Asset Management, was established and started managing capital in May 2016 and its first CLO closed in July. Also in July, GreenOak[10] completed the acquisition of Grafton Partners, the property adviser to the West End of London Property Unit Trust (WELPUT). WELPUT was established in 2001 in partnership with Schroder Real Estate and is the top performing fund in the Association of Real Estate Funds Index over the past 10 years.[11] Further details are available on GreenOak's website under "News."

(Continued)

During the second quarter, the Company repurchased 10 million TFG shares at an average price of $10.00 per share. This reduced Fair Value NAV by approximately $100 million, but boosted Fair Value NAV Per Share as it reduced the Pro Forma Fully Diluted number of shares in issue. The Fully Diluted Fair Value NAV Per Share at the end of H1 2016 was $19.96, up from $19.08 at year end 2015, an increase of 4.6% even after allowing for dividends. The second quarter dividend was declared at 16.75 cents per share, producing a 12-month rolling dividend growth of 4.4%.

In order to manage its balance sheet more efficiently whilst also hopefully allowing for opportunistic investments during times of market dislocation, TFG obtained a revolving debt facility ("Revolver") for a maximum of $75 million, with a duration of over three years. TFG's investment manager may potentially seek to increase the amount of loans available alongside the existing facility.

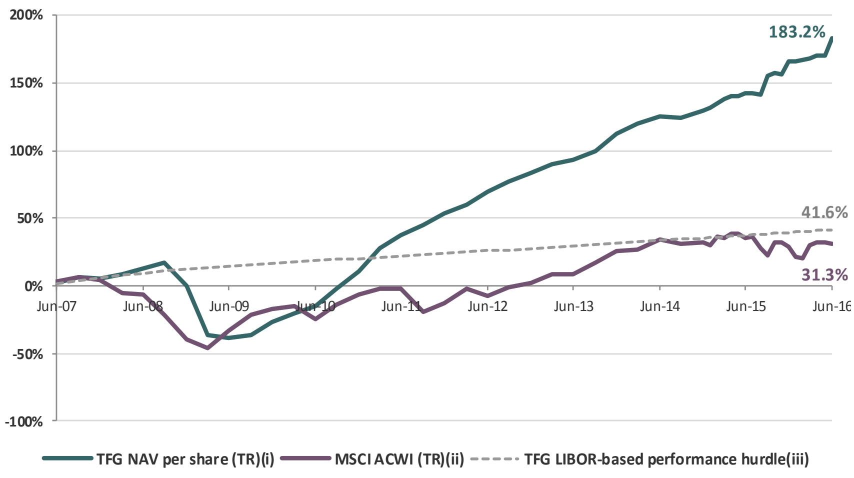
In the first half of 2016, the principals and certain employees of TFG's investment manager and employees of TFG Asset Management continued to increase their holdings in TFG shares. Including all shares owned outright and those held under deferred schemes, these holdings now total approximately 23 million shares, or 23% of TFG's shares.[12]

Phil Bland, our long-standing Chief Financial Officer for both TFG's investment manager and TFG Asset Management, will be retiring later this year. He will be succeeded by Paul Gannon, who has been at the firm for 10 years and who has significant experience with all aspects of the Company's investments and financial reporting. Paul has been promoted to Co-CFO and will work closely with Phil during the implementation of the succession plan.

After 11 years on the TFG board as a non-executive director, Byron Knief stepped down earlier this year. Mr. Knief has been replaced by William P. Rogers, Jr. Mr. Rogers has worked with TFG for many years and comes to the Company with a wealth of knowledge of corporate matters. He retired from Cravath, Swaine & Moore LLP in December 2015 after 36 years at the firm. His full biography can be found in Appendix VIII.

The next Investor Day will follow the release of the full-year results and thus has been scheduled for 8 March 2017 in London. A full agenda and more details will follow in due course.

Figure 2 **TFG Fair Value NAV Per Share Total Return Since April 2007 IPO[13]**



Total Return Performance	YTD	1 Year	3 Years	5 Years	Since IPO (April 2007)
Fair Value NAV Per Share Total Return	6.4%	17.1%	46.5%	106.3%	183.2%
MSCI ACWI	1.6%	(3.1%)	21.3%	33.8%	31.3%
TFG Hurdle	1.6%	3.1%	9.2%	16.0%	41.6%

TFG Overview

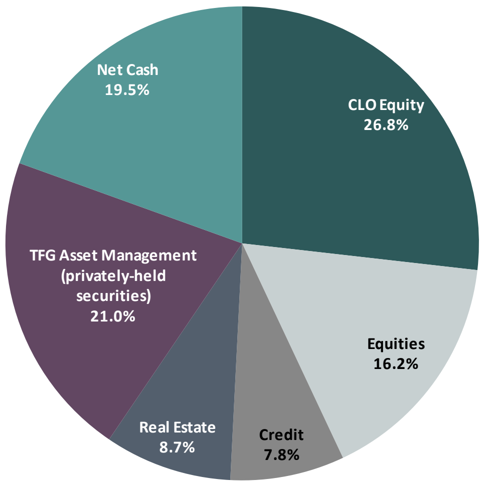
TFG is a Guernsey closed-ended investment company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG.NA" and on the Specialist Fund Segment of the main market of the London Stock Exchange under ticker symbol "TFG.LN".(14)

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

TFG's Fair Value Net Asset Value ("NAV") as of 30 June 2016 was approximately $1.9 billion. Figure 3 shows the Company's current net asset breakdown including TFG Asset Management at full estimated Fair Value.

Figure 3(i)(ii)

Fair Value Net Asset Breakdown at 30 June 2016



(i) Net 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, net of "Other Net Assets and Liabilities."

(ii) Assets characterised as "Equities" consist of the Fair Value of investments in Polygon-managed equity funds as well as the Fair Value of, or capital committed to, equity assets (as applicable) held directly on TFG's balance sheet. Please see Figure 12 for further details on asset composition.

To achieve TFG's investment objective of generating distributable income and capital appreciation, TFG's current investment strategy is:

- **To identify attractive asset classes and investment strategies.**
- **To identify asset managers it believes to be superior.**
- **To use the market experience of TFM, TFG's investment manager, to negotiate favourable terms for its investments.**
- **Through TFG Asset Management, and where sensible, to seek to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital.**

In addition, TFM's current investment strategy is to continue to grow TFG Asset Management – as TFG's diversified alternative asset management business – with a view to a possible initial public offering and listing of its shares.

As part of its investment strategy, TFM may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

The Investment Manager seeks to identify asset classes that offer excess returns relative to their investment risk, or "intrinsic alpha." It analyses the risk/reward, correlation, duration and liquidity characteristics of each potential capital use to gauge its attractiveness and incremental impact on the Company.

The Investment Manager then seeks to find high-quality managers who invest in these asset classes; selects or structures suitable investment vehicles that optimise risk-adjusted returns for TFG's capital; and/or seeks for TFG (via TFG Asset Management) to own a share of the asset management company. TFG aims to not only produce asset level returns, but also aims to enhance these returns with capital appreciation and investment income from its investments in asset management businesses that derive income from external investors.

Certain considerations when evaluating the viability of a potential asset manager typically include: performance track records, reputation, regulatory requirements, infrastructure needs and asset gathering capacity. Potential profitability and scalability of the business are also important considerations. Additionally, the core capabilities, investment focus and strategy of any new business should offer a complementary operating income stream to TFG Asset Management's existing businesses. The Investment Manager looks to mitigate potential correlated risks across TFG Asset Management's investment managers by diversifying its exposure across asset classes, investment vehicles, durations, and investor types, among other factors.

TFG's asset management businesses can operate autonomously, or on the TFG Asset Management platform. In either case, the objective is for them to benefit from an established infrastructure, which can assist in critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters, while maintaining entrepreneurial independence.

TFG ASSET MANAGEMENT

Figure 4[15]

ASSETS UNDER MANAGEMENT[(i)]	HEADCOUNT	OFFICES	GLOBAL OPERATING PLATFORM
$18B 30 June 2016	CIRCA 230 Including GreenOak	London · New York Plus GreenOak locations	

	LCM™	GREENOAK™	POLYGON™	equitix™	HAWKE'S POINT™ MINING FINANCE
	Bank Loans	Real Estate Joint Venture	Hedge Funds & Private Equity	Infrastructure	Mining Finance
Approx. AUM	**$6.4 billion**[(ii)]	**$6.8 billion**[(iii)]	**$1.5 billion**[(iv)]	**$2.6 billion**[(v)]	**Start up**[(vi)]
	• LCM currently manages 15 CLOs	• Japan Fund I • Asia Fund II • UK Debt Fund I • Europe Fund I Spain • U.S. Fund I • U.S. Fund II • Global Advisory	• European Equity Opportunity Fund • Convertible Opportunity Fund • Mining Opportunity Fund • Global Equities Fund • Distressed Opportunities Fund • Recovery Fund	• Fund I • Fund II • Fund III • Fund IV • Managed Account • Energy Saving Investments • Energy Efficiency Fund	

TCIP™ +	TCICM™
CLO Equity	Bank Loans
$0.2 billion[(vii)]	**$0.3 billion**[(viii)]
• Tetragon Credit Income II L.P.	

TFG Asset Management consists of:

- **LCM ASSET MANAGEMENT**[(16)] – a CLO loan manager.
- **The GREENOAK REAL ESTATE** joint venture – a real estate-focused principal investing, lending and advisory firm.
- **POLYGON GLOBAL PARTNERS**[(17)] – a manager of open-ended hedge fund and private equity vehicles across a number of strategies.
- **EQUITIX**[(18)] – an integrated core infrastructure asset management and primary project platform.
- **HAWKE'S POINT**[(19)] – a business that seeks to provide capital to companies in the mining and resource sectors.
- **TETRAGON CREDIT INCOME PARTNERS (TCIP)**[(20)] – TCIP acts as a general partner of a private equity vehicle that, among other things, makes investments in CLOs relating to risk retention rules.
- **TCI CAPITAL MANAGEMENT LLC (TCICM)**[(21)] – a CLO loan manager.

Assets under management for TFG Asset Management as of 30 June 2016 totalled approximately $17.8 billion.[(22)]

(i)(ii)(iii)(iv)(v)(vi)(vii)(viii) Products/mandates listed are not necessarily open for new investment and are not an offer to sell or a solicitation of an offer to purchase securities in the United States or any other jurisdiction, but to illustrate the TFG Asset Management platform strategy.

Board of Directors

TFG's Board of Directors is comprised of six members, four of whom are Independent Directors who have significant experience in asset management and financial markets. Biographies of the directors can be found in Appendix VIII.

Rupert Dorey
Independent Director

Frederic M. Hervouet
Independent Director

David Jeffreys
Independent Director

William P. Rogers, Jr.
Independent Director

Reade Griffith

Paddy Dear

Key Metrics

Key Metrics

The Company focuses on the following key metrics prepared on a Fair Value[23] basis, when assessing how value is being created for, and delivered to, TFG shareholders:

- **Earnings : Fair Value Return on Equity and Fair Value EPS**
- **Fair Value NAV Per Share: NAV Per Share Total Return and NAV per share**
- **Dividends**

EARNINGS – FAIR VALUE RETURN ON EQUITY ("Fair Value RoE")

Annualised Fair Value RoE for H1 2016 was 4.5%; below TFG's long-term target range of 10-15%.[24]

Overall, the first half of 2016 proved to be a difficult environment for investment funds, so TFG was pleased to record a positive set of results, including a Fair Value Net Income[25] of $45.1 million. This resulted in an annualised Fair Value RoE of 4.5% for the first half of the year, which was slightly above the annualised Fair Value RoE of 4.1% for Q1 2016.

Continuing from Q1, there were positive contributions from nearly all of the investment classes across the portfolio, other than TFG Asset Management.

ROE TARGET

10-15%

Annualised range

AVERAGE ROE

13.0%

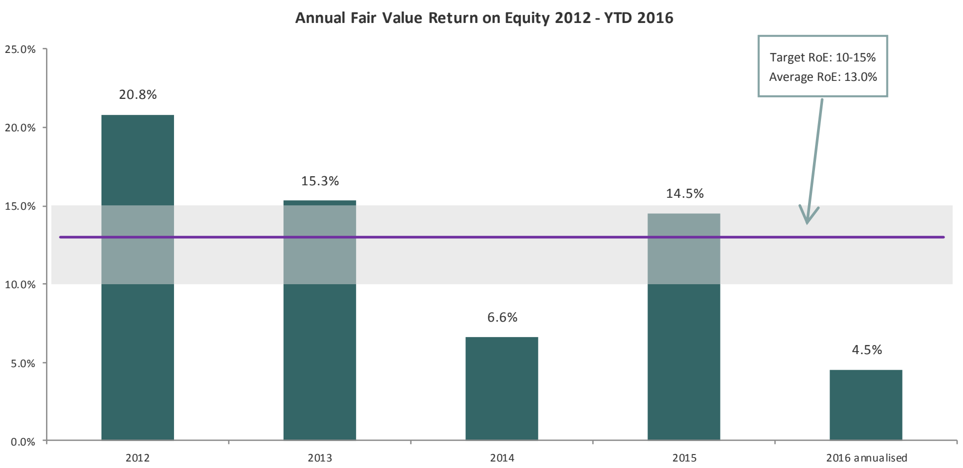
Since April 2007 IPO

2016 ANNUALISED ROE

4.5%

30 June 2016

Figure 5[i]



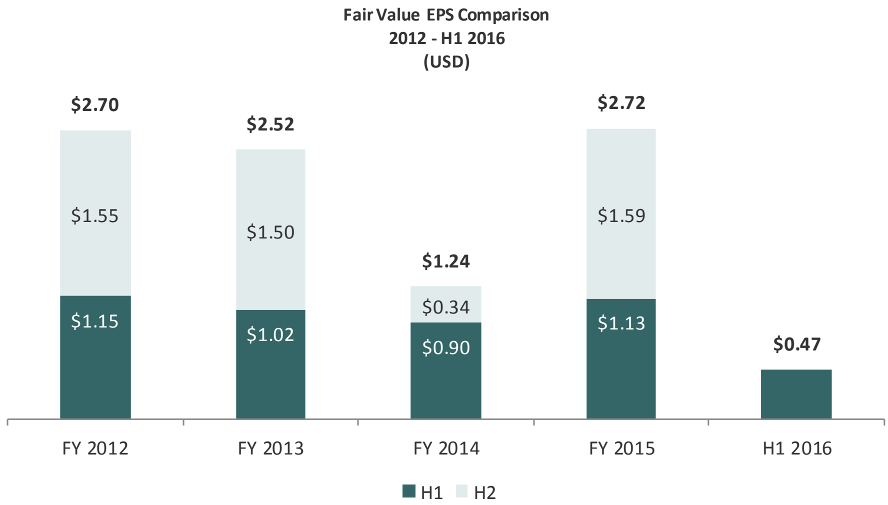
(i) Average RoE is calculated from TFG's IPO in 2007. 2015 RoE includes a fair value adjustment for certain TFG Asset Management businesses, the value of which has accumulated over several years. Consequently, the full year return of 14.5% is not prepared on a like for like basis with prior years. Like for like performance for 2015 was 8.2%.

FAIR VALUE EARNINGS PER SHARE ("Fair Value EPS")

TFG generated a Fair Value EPS[26] of $0.47 in H1 2016.

The Fair Value Net Income of $45.1 million resulted in a Fair Value EPS of $0.47. These results are significantly down from the same period last year, reflecting the generally adverse and volatile conditions in H1 2016 as well as some strong one-off contributions in H1 2015.[27]

Figure 6



Further detailed information on the drivers of the Company's performance is provided later in this report.

FULLY DILUTED FAIR VALUE NAV PER SHARE

Fully Diluted Fair Value NAV Per Share was $19.96 at the end of H1 2016, up 13.0% from the same period in 2015. Fair Value NAV Per Share Total Return was 6.4% year to date.

- Fully Diluted Fair Value NAV Per Share increased significantly during the period as the positive impact from operating performance was boosted by a repurchase of 10 million shares for an all-in cost of $100.7 million.
- Although the share repurchase reduced net assets, by buying its shares at a discount to NAV, TFG increased the Fair Value NAV Per Share by approximately $0.94.
- As usual, TFG returned value to shareholders through its quarterly dividend. Over the past 12 months, quarterly dividends have amounted to $0.66 per share.

Figure 7

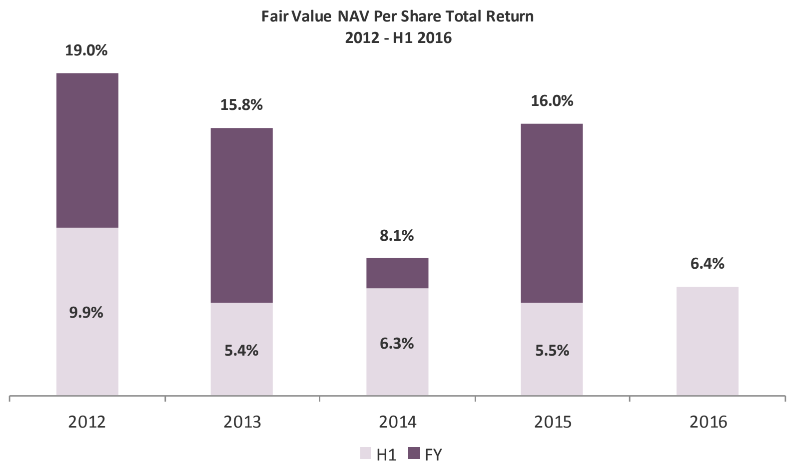
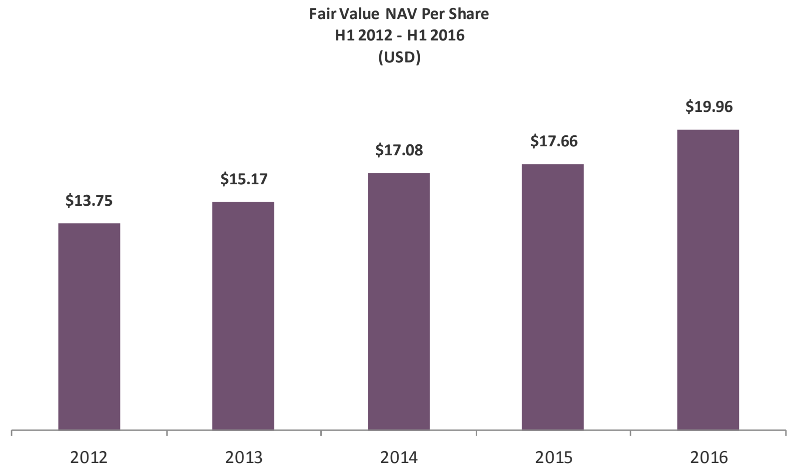


Figure 8[i]



(i) Source: Fully Diluted Fair Value NAV per share based on TFG's financial statements as of 30 June of each of the years shown. Please see Figure 22 on page 28 for more details on the calculation of Fully Diluted Fair Value NAV Per Share.

FAIR VALUE NAV

$1.9B

30 June 2016

FAIR VALUE NAV PER SHARE TOTAL RETURN

6.4%

30 June 2016

FAIR VALUE NAV PER SHARE

$20

30 June 2016

NAV PER SHARE GROWTH

+13%

H1 2015-2016

DIVIDENDS PER SHARE ("DPS")

TFG increased its quarterly dividend to 16.75 cents per share in Q2 2016

- TFG declared a Q2 2016 DPS of $0.1675 per share, an increase from $0.165 in Q1 2016. On a rolling 12-month basis, the dividend of $0.66 per share represents a 4.3% increase over the prior 12-month period and equates to an annualised dividend yield of 6.6% on the 30 June 2016 share price of $9.99.
- This dividend declaration continues TFG's progressive dividend policy, which targets a payout ratio of 30-50% of normalised earnings. The Q2 2016 DPS of $0.1675 brings the cumulative DPS declared since TFG's IPO to $4.4175.

DIVIDEND YIELD

7%

30 June 2016

DIVIDEND COVER

3x

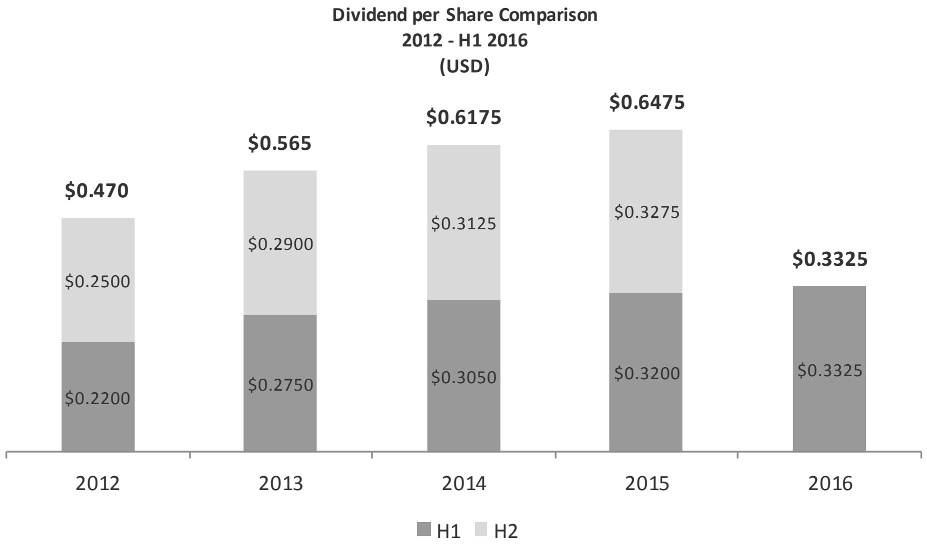
30 June 2016

DIVIDEND GROWTH
FIVE-YEAR CAGR

12%

Per annum
to 30 June 2016

Figure 9



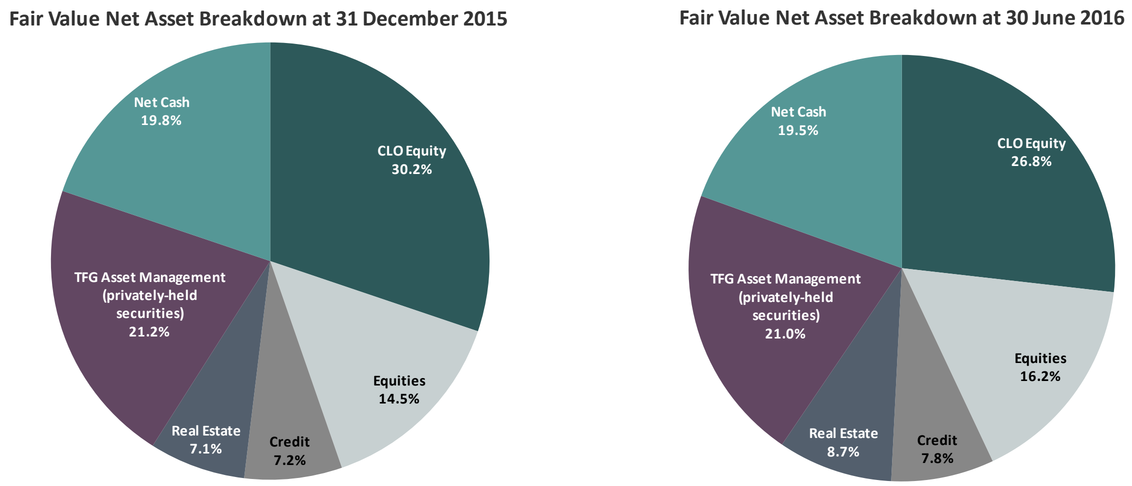
H1 2016 In Review

H1 2016 In Review

The figure below illustrates the composition of TFG's Fair Value Net Assets as of 30 June 2016 and 31 December 2015.

Figure 10

Fair Value Net Asset Composition Summary(i)(ii)



(i) Net 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, net of "Other Net Assets and Liabilities."

(ii) Assets characterised as "Equities" consist of the Fair Value of investments in Polygon-managed equity funds as well as the Fair Value of, or capital committed to, equity assets (as applicable) held directly on TFG's balance sheet. Please see Figures 11 and 12 for further details on asset composition.

The table below highlights the fair value of TFG's ten top holdings as of 30 June 2016.

Figure 11

Top 10 Holdings at 30 June 2016

Holding	Investment Type	Description	Fair Value $MM	% of Fair Value NAV
1 Equitix (Manager)	Privately-held securities in asset mgt business	£1.9 Bn UK infrastructure fund asset manager	167.1	8.8%
2 Polygon European Equity Opportunity Fund	Fund Investment - Equity	European event driven equity hedge fund	148.0	7.8%
3 LCM (Manager)	Privately-held securities in asset mgt business	$6.4 Bn CLO manager	102.8	5.4%
4 Polygon Distressed Opportunities Fund	Fund Investment - Credit	Distressed opportunities hedge fund	95.3	5.0%
6 GreenOak Real Estate (Manager)	Privately-held securities in asset mgt business	$6.8 Bn global real estate asset manager	66.0	3.5%
5 Polygon (Manager)	Privately-held securities in asset mgt business	$1.5 Bn hedge fund manager	62.9	3.3%
7 Polygon Convertible Opportunity Fund	Fund Investment - Credit	Event driven credit hedge fund	46.9	2.5%
8 Polygon Mining Opportunities Fund	Fund Investment - Equity	Mining-related equity hedge fund	42.5	2.2%
9 LCM XVI LP	CLO Equity Investment	US broadly syndicated corporate loans (CLO)	35.9	1.9%
10 GreenOak US II Fund	Real Estate	US Real Estate fund	35.3	1.9%
TOTAL				**42.1%**

NET ASSET BREAKDOWN AND INCOME FOR H1 2016

Figure 12

Asset Category	Asset Subcategory	H1 2016 Fair Value Net Assets ($MM)	H1 2016 Fair Value Net Income ($MM)	2015 Fair Value Net Assets ($MM)	2015 Fair Value Net Income ($MM)
CLO Equity	U.S. CLO 1.0[(i)]	190.0	12.5	260.6	55.7
CLO Equity	U.S. CLO 2.0[(i)]	283.5	23.7	281.7	30.2
CLO Equity	European CLOs	38.2	8.7	58.5	6.0
CLO Equity	CLO Equity Fund	0.1	0.2	-	-
Equities	Equity Funds	210.6	12.3	198.3	15.3
Equities	Other Equities[(ii)]	98.2	6.0	90.5	51.6
Credit	Convertible Bond Fund	46.9	2.1	44.8	2.3
Credit	Distressed Fund	95.3	0.2	95.1	(5.4)
Credit	Direct Loans	6.3	0.5	3.0	1.0
Real Estate	Real Estate	165.1	5.8	141.7	25.2
Privately-Held Securities	TFG Asset Management[(iii)]	400.1	(1.9)	422.1	185.2
Net Cash	Net Cash	373.1	0.5	391.0	0.1
Net Cash	Corporate Fees and Expenses	NA	(23.9)	NA	(92.2)
Net Cash	Net Hedge PnL and Taxes	NA	(1.6)	NA	(11.1)
		1,907.4	**45.1**	**1,987.3**	**263.9**

(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. The U.S. CLO 1.0 segment includes an investment in the BB tranche of a U.S. CLO 1.0 with Fair Value of $1.7 million.

(ii) Assets characterised as "Other Equities" consist of the Fair Value of, or capital committed to, investment assets held directly on the balance sheet.

(iii) The TFG Asset Management net income figure for 2015 includes the consolidated net income before tax of Polygon, LCM and Hawke's Point to 30 June 2015, and changes in the Fair Value of those investments from 1 July to 31 December 2015. The income relating to investments in Equitix and GreenOak reflects the changes in the carrying value of these equity investments, and in the case of Equitix, interest income and changes in Fair Value connected to the loans held. For H1 2016 all calculations reflect the changes in fair value of all businesses owned by TFG Asset Management, and any net distributions made from them to TFG.

Figure 12 above shows Fair Value Net Assets and Fair Value Net Income by asset class for H1 2016 compared to 2015.

CLOs

- **U.S. CLO 1.0:** TFG's U.S. CLO 1.0 investments contributed $12.5 million in Fair Value Net Income over the first half of 2016. This segment of the portfolio continues to naturally amortise, and as of the end of H1 2016, had seen a reduction of over 27% from year-end 2015. We continue to monitor opportunities to maximise value and we expect our U.S. CLO 1.0 deals will continue to convert into cash as they unwind over the near and medium term. As of the end of H1 2016, all of TFG's U.S. CLO 1.0 deals were passing their junior-most O/C tests.[(28)]

- **U.S. CLO 2.0:** TFG's U.S. CLO 2.0 investments produced $23.7 million in Fair Value Net Income during H1 2016. As we intend to achieve our exposure to new issue CLO equity investments via our investment in TCI II over the medium term, we do not expect the directly held U.S. CLO 2.0 segment to grow in a material way absent a more attractive secondary market, and may in fact begin to see declines in our direct U.S. CLO 2.0 investments, as they reach the ends of their reinvestment periods and begin to amortise. As of the end of H1 2016, all of TFG's U.S. CLO 2.0 were in compliance with their junior-most O/C tests.[(29)]

- **European CLOs:** The European CLO segment of TFG's portfolio produced $8.7 million in Fair Value Net Income during H1 2016. We expect to see this segment of the portfolio continue to convert into cash as we do not view the European CLO equity market as attractive at this time. All of TFG's European CLOs were in compliance with their junior-most O/C tests as of the end of H1 2016.[(30)]

- **CLO Equity Fund:** The Company's CLO equity investment vehicle, TCI II, continues to make new issue investments during its ramp-up period. Through the end of H1 2016, TCI II had made, or committed to make, investments with a total cost of $100.0 million. TFG's available undrawn capital commitment totalled $50.0 million. During H1 2016, TFG received a small distribution of income from TCI II.

(continued)

EQUITIES

- **Equity Funds:** Polygon's event-driven equity investments generated Fair Value Net Income of $12.3 million during H1 2016, with the strongest performance coming from investments in the Polygon European event-driven fund, which was up 5.0% net during H1, and the Polygon mining fund, which was up 12.2% net. Please refer to page 23 for further details on the performance of the individual funds.

- **Other Equities:** These assets generated Fair Value Net Income of $6.0 million in H1 2016, which built on the positive performance during Q1.

CREDIT

- **Convertible Fund:** The Polygon convertible fund investment contributed Fair Value Net Income of $2.1 million during H1 2016. The Polygon Convertible strategy returned 4.1% net during H1. Please refer to page 23 for further details on the fund's performance.

- **Distressed Fund:** The Polygon distressed fund investment generated $0.2 million of Fair Value Net Income during H1, after being lossmaking in Q1, and the fund returned 2.0% net during the period. Please refer to page 23 for further details on the fund's performance.

REAL ESTATE

- **Real Estate:** TFG's investment in Real Estate contributed $5.8 million of Fair Value Net Income during the first half of the year. This was driven primarily by income returned on the Japan Fund and also a commercial property investment in the United Kingdom.

TFG ASSET MANAGEMENT (privately-held securities in asset management businesses)

- TFG Asset Management: TFG's investment in TFG Asset Management comprises a diverse portfolio of alternative asset managers. TFG Asset Management recorded an unrealised loss of $1.9 million during the first half of the year as the valuations of these investments were recalibrated. After adjusting for FX hedging, TFG's investment in Equitix made a positive contribution in H1 of approximately $11.4 million, reflecting the performance of this business. TFG's investments in Polygon, GreenOak and LCM all recorded unrealised losses, reflecting a combination of factors, including, in some cases, the application of less favourable market multiples or discount rates, and a more conservative view on elements of projected performance this year. We continue to believe that the underlying economics and momentum of these businesses remain positive, as measured by, among other things, EBITDA and AUM growth, as described in the TFG Asset Management section in this report. For further information on the basis for determining the Fair Value of the TFG Asset Management investment, please see Appendix IV. TFG Asset Management's *pro forma* operating results are set out in Figure 16.

Figure 13

TFG Asset Management - Net Income H1 2016			
Business	**Fair Value H1 2016 ($MM)**	**Fair Value Q4 2015 ($MM)**	**Fair Value Movement ($MM)**
Equitix	167.1	173.9	(6.8)
GreenOak Joint Venture	66.0	70.0	(4.0)
Hawke's Point	0.7	0.8	(0.0)
TCIP/TCICM	0.4	0.3	0.1
LCM	102.8	110.2	(7.4)
Polygon	62.9	67.0	(4.1)
Change in Fair Value	**400.1**	**422.1**	**(22.1)**
Other TFGAM investment income and impact of currency hedge on Equitix			20.2
Total Capital Appreciation and Investment Income			(1.9)

CASH

- **Net Cash:** TFG held $373.1 million of Fair Value in net cash at 30 June 2016, a reduction on the balance held at the end of Q1 2016 as a result of the share repurchase. The Company actively manages its cash levels to cover future commitments and to enable it to capitalise on opportunistic investments.

H1 2016 Major New Investments

- **Real Estate:** TFG continued to add to its real estate exposure with investments in the first half of the year totalling approximately $27.9 million in GreenOak-managed vehicles. These investments were primarily centred on the United States and Europe.
- **CLO Equity Fund:** As outlined in the Q1 2016 report, TFG made a commitment of $15.0 million to TCI II, bringing TFG's total commitments to $50.0 million. No commitments had been drawn as of the end of H1 2016. To date, this commitment remains undrawn as TCI II ramps up by utilising a subscription credit facility.
- **Repurchase of TFG Shares:** In June, TFG repurchased $100 million of its shares at $10 per share via a tender offer managed by Deutsche Bank AG.

H1 2016 Major Asset Sales and Optional Redemptions

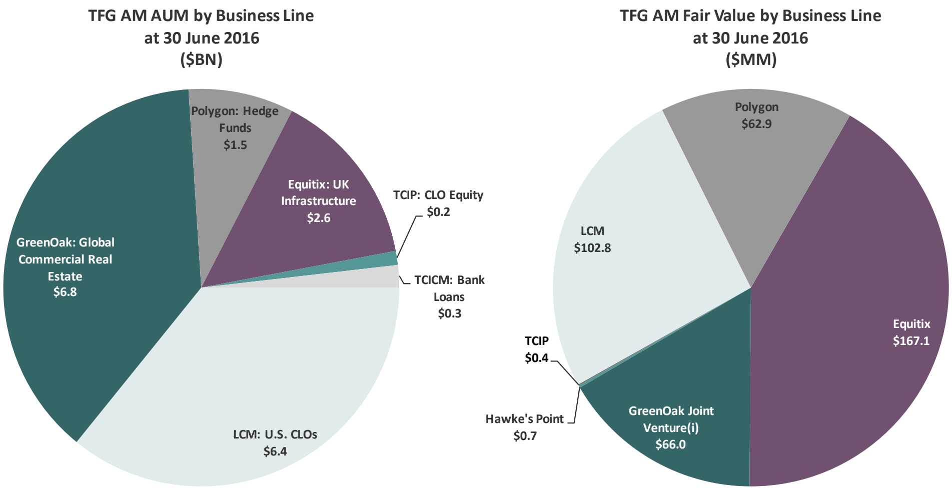
- **European CLOs:** TFG initiated an optional early redemption of one European CLO during H1 2016, and as of the end of the period, had received all expected liquidation proceeds (approximately €15.1 million).
- **Real Estate:** Some real estate investments returned capital and income during H1 2016. This was primarily from U.S. and European-focused investment vehicles.

TFG Asset Management Overview

TFG Asset Management Overview

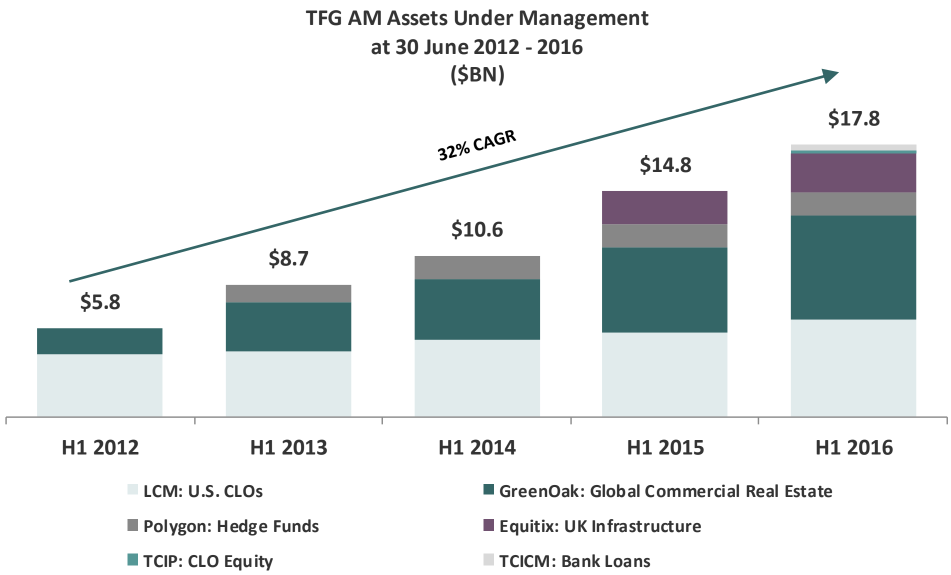
One of TFG's significant investments is TFG Asset Management, a diversified alternative asset management business that owns majority and minority stakes in asset managers. At 30 June 2016, TFG Asset Management comprised LCM, the GreenOak joint venture, Polygon, Equitix, Hawke's Point, TCIP[(31)] and TCICM (please see Figure 14 for the breakdown of AUM and Fair Value by business line). TFG Asset Management has approximately $17.8 billion of assets under management[(32)] and approximately 230 employees globally. Figure 15 depicts the growth of that AUM over the last five years. Each of the asset management businesses on the platform are privately-held.

Figure 14[(33)]



(i) The Fair Value of TFG's 23% stake.

Figure 15[(34)]



EBITDA
$18M
30 June 2016

EBITDA GROWTH
-37%
H1 2015 - 2016

AUM
$18B
30 June 2016

AUM GROWTH
+20%
H1 2015 - 2016

TFG ASSET MANAGEMENT PRO-FORMA EBITDA (Ex-GreenOak)

Figure 16

TETRAGON FINANCIAL GROUP TFG Asset Management Pro Forma Statement of Operations (excluding GreenOak)			
	H1 2016 $MM	H1 2015[(i)] $MM	H1 2014 $MM
Management fee income	31.9	25.3	20.4
Performance and success fees[(ii)]	20.7	25.3	8.8
Other fee income	8.2	10.9	8.5
Interest income	0.8	0.7	0.1
Total income	**61.6**	**62.2**	**37.8**
Operating, employee and administrative expenses	(40.9)	(31.0)	(20.0)
Minority Interest	(3.1)	(3.2)	0.0
Net income - "EBITDA equivalent"	**17.6**	**28.0**	**17.8**

(i) The above table includes the income and expenses attributable to TFG's majority owned businesses, Polygon, LCM and Equitix during that period. In the case of Equitix this only covers the period from 2 February 2015, the date of the closing of TFG's acquisition of Equitix. Although TFG currently has an 85% effective economic share of its business, 100% of Equitix's income and expenses are reflected with the 15% not attributable to TFG backed out through the minority interest line. GreenOak is not included. The EBITDA equivalent is a non-GAAP measure and is designed to reflect the operating performance of the TFG Asset Management businesses rather than what is reflected in TFG's U.S. GAAP financial statements.

(ii) The performance and success fees include some realised and unrealised Polygon performance fees. These represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining NAV at the reporting date. Similar amounts, if any, from LCM are recognised when received. TFG is generally able to invest at a preferred level of fees. Success fees also include fees earned by Equitix on successfully completing certain primary projects and delivering de-risked investments into their secondary funds; these are recognised once they are entitled to recover them.

- **Overview:** Figure 16 shows a *pro forma* statement of operations which reflects the operating performance of the majority-owned asset management companies within TFG Asset Management. Although, under U.S. GAAP, they are currently reported partially at Fair Value and partially on a consolidated basis, the aim of also presenting the underlying performance in this way is to give investors insight into a key driver behind that valuation. GreenOak, in which TFG holds a minority interest, is not currently included in the calculation of *pro forma* EBITDA.
- **EBITDA:** During Q2 2016, TFG Asset Management continued the solid start made in Q1, resulting in H1 2016 EBITDA of $17.6 million. Largely as a result of a very strong Q1 2015 for performance (realised and unrealised) and success fees, the EBITDA equivalent for the majority-owned TFG Asset Management businesses fell by 37% between H1 2015 and H1 2016. Management fees made up over 50% of the total fee income, up from 41% in 2015, and we believe that this is an indication of an improvement in the quality of earnings year on year.
- **Management fee income:** Management fee income continued to increase with the growth of the fee-paying AUM of the TFG Asset Management businesses. As shown in Figure 16, fee-paying capital increased significantly year on year, primarily through organic growth of the Equitix, Polygon and LCM businesses since H1 2015. See Figures 14 and 15 for further information on TFG Asset Management's AUM. Management fees grew by over 25% between H1 2015 and H1 2016.
- **Performance and success fees:** Compared to H1 2015, performance and success fees continued to lag, primarily due to a particularly strong H1 2015 performance from Equitix's primary business. Such fees do not tend to follow seasonal patterns and, indeed, this aspect of the Equitix business is working on an active deal pipeline. This effect has been partially offset by strong performance in certain Polygon funds, which has boosted the performance fees included in the EBITDA vis-a-vis the same period in 2015.
- **Other fee income:** This category includes third-party CLO management fee income relating to certain U.S. CLO 1.0 transactions, which continued to decline in line with expectations as these transactions amortised down. In addition, it includes certain cost recoveries from TFG relating to seeded Polygon hedge funds, which fell year on year. The cost recoveries, which are described in more detail in the TFG Asset Management Overview section of this report, decreased slightly year on year although the teams supporting those seeded funds continued to grow. As these businesses mature and build third-party capital, we expect that such cost recoveries should decrease. The other fee income category also includes fee income generated by Equitix on certain management services contracts, which is a strongly growing part of the Equitix business.
- **Operating expenses:** In H1 2016, a number of factors led to an increase in operating expenses within TFG Asset Management of $9.9 million, or 32% on the equivalent half year period in 2015, although when annualised and compared to the full year 2015 figure, the increase is a more modest 8%.

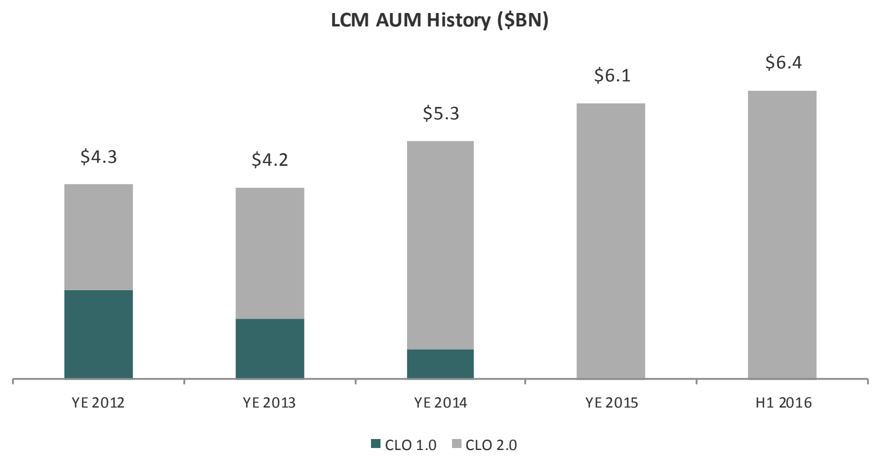
  Costs increased in relation to Equitix, as it continues to grow its business. H1 2016 also included six months of costs versus five months in H1 2015. In addition, with respect to TCIP, costs associated with set up and marketing were incurred in H1 2016, compared to H1 2015 when the business had not yet been set up. Finally, TFG Asset Management continued to invest by increasing headcount in a number of areas, which will hopefully support the continued growth of the platform.

BUSINESS OVERVIEWS

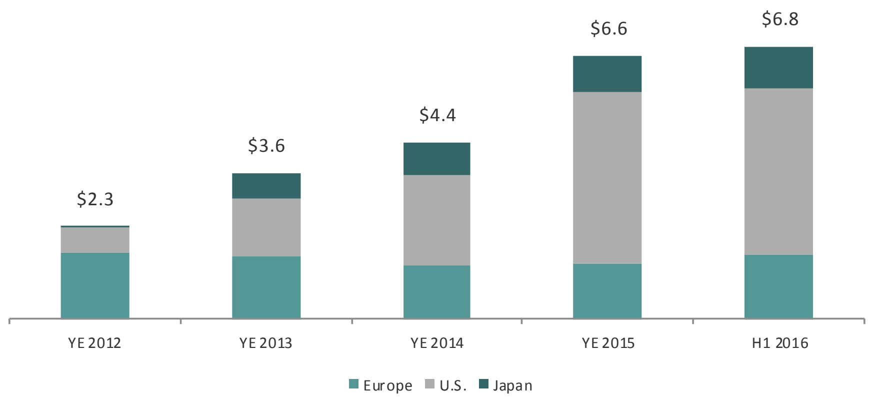
The following pages provide a summary of each asset management business and a review of AUM growth and underlying strategy / investment vehicle performance during the first half of 2016.

All data is at 30 June 2016, unless otherwise stated.

LCM™

Description of Business:	• LCM is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans. • The business was established in 2001 and has offices in New York and London. • TFG owns 100% of LCM. • Currently, LCM manages loan assets exclusively through CLOs, which are long-term, multi-year investment vehicles. The typical duration of a CLO, and thus LCM's management fee stream, depends on, among other things, the term of its reinvestment period (currently typically four to five years for a new issue CLO), the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints. • CLO managers typically earn a management fee of up to 0.50% of total assets, and a performance fee of 20% over a CLO equity IRR hurdle. • Further information on LCM is available at www.lcmam.com.
Amount of TFG's Investment in Products:	$227.9 million. TFG held CLO equity investments with total fair value of $221.6 million (U.S. CLO 1.0: $3.2 million, U.S. CLO 2.0: $218.4 million) in LCM-managed CLOs. LCM provides expertise to the management of a portfolio of U.S. broadly-syndicated leveraged loans held directly on TFG's balance sheet. At the end of H1 2016, the fair value of these loans was $6.3 million.
AUM:	Figure 17  LCM's AUM is $6.4 billion at 30 June 2016. During H1 2016, one new issue LCM-managed CLO closed.
Performance in H1 2016:	LCM CLOs performed well in the first quarter of 2016, with all of those that were effective and still within their reinvestment periods continuing to pay senior and subordinated management fees.

GREENOAK™

Description of Business:	• GreenOak is a real estate-focused principal investing, lending and advisory firm that seeks to create long-term value for its investors and provide strategic advice to its clients. • The business was established in 2010 as a joint venture with TFG and has a presence in New York, London, Tokyo, Los Angeles, Madrid and Seoul. • TFG owns 23% of the business. • GreenOak currently has funds with investments focused on the United States, Japan, Spain, and the United Kingdom. • Funds are typically structured with management fees of 1.5%-2.0% and carried interest over a preferred return. The funds generally have a multi-year investment period, with a fund term of seven years after the final close, with possible extensions subject to certain approvals. • Further information on GreenOak is available at www.greenoakrealestate.com.
Amount of TFG's Investment in Products:	$138.3 million.
AUM:	Figure 18 **GreenOak AUM History(i) ($BN)**  (i) Includes investment funds and advisory assets managed by GreenOak at 30 June 2016. TFG owns a 23% stake in GreenOak. AUM includes all third-party interests and total projected capital investment costs. Gross AUM is $6.8 billion at 30 June 2016. GreenOak initiated the capital raise for its Europe Fund II in
Performance in H1 2016:	GreenOak-managed vehicles continue to perform well across their European, U.S. and Asian businesses. The performance of GreenOak's first investment programs since inception is expected to be strong: • US Fund I: gross 41% IRR and 2.0x, net 32% and 1.8x(i)(ii) • Japan Fund I: gross 42% IRR and 1.8x, net 30% and 1.6x(i)(ii) • UK Office Program: gross 21% IRR and 1.7x, net 17% and 1.5x(iii) During H1 2016, GreenOak sold all of its central London office assets well ahead of Brexit, achieving targeted gross IRRs and equity multiples from a pair of City of London office investments. GreenOak also realised its first sale from its Spain Tactical program, which acquired eight retail assets in Spanish cities including Madrid in July of 2014. In the past 15 months, GreenOak's Europe Fund I (Spain) has fully committed its €250MM of equity. In March, GreenOak closed a $650 million Japan-oriented fund. (i) The projected returns are achievable based upon certain calculations by the Fund as reliant upon market and transaction assumptions and projections derived by the Fund and are therefore hypothetical. The projected returns are not a guarantee of any particular performance or result. (ii) The projected net returns are after management fees, carried interest, organizational expenses, partnership expenses and taxes (other than taxes or withholding specifics to certain limited partners). (iii) The projected returns for the investment program comprised of individual asset investments are achievable based upon certain calculations by the Firm as reliant upon market and transaction assumptions and projections derived by the Firm and therefore hypothetical. The projected returns are not a guarantee of any particular performance or result.

POLYGON

Description of Business:

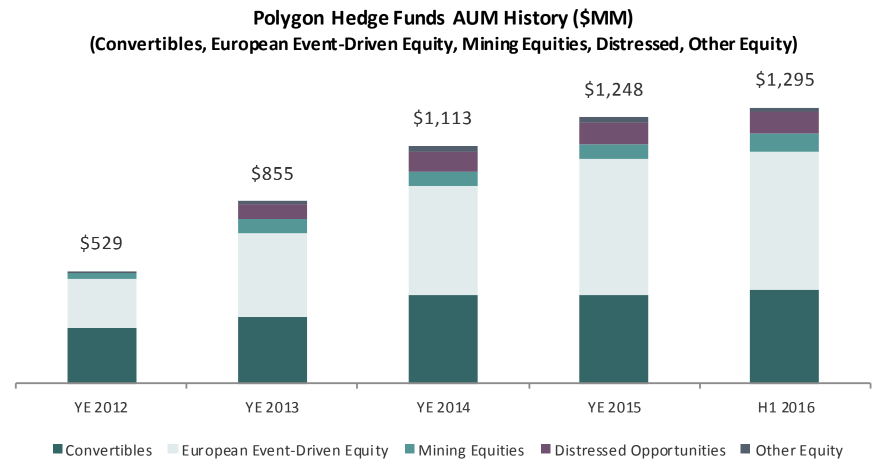
- Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies.
- Polygon was established in 2002 and has offices in New York and London.
- TFG owns 100% of the business.
- Fees in these products include a management fee that is generally between 1.5% and 2.0% and the typical performance fee or carried interest is 20%.
- Further information on Polygon is available at www.polygoninv.com.

Amount of TFG's Investment in Products:

$352.7 million.

AUM:

Figure 19(i)



(i) Includes AUM for 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 at 31 December 2012, 2013, 2014, 2015, and 30 June 2016. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

AUM is $1.5 billion for all funds; $1.3 billion for open strategies.

POLYGON (continued)

Performance in H1 2016:

Figure 20[35]

Polygon Funds Summary				
Fund	**AUM at 30 Jun 2016 ($MM)**	**Q2 2016 Net Performance**	**YTD Net Performance**	**Annualised Net LTD Performance**
Convertibles[35.i]	$ 442.3	3.0%	4.1%	16.4%
European Event-Driven Equity[35.ii]	$ 649.4	(0.1%)	5.0%	11.1%
Mining Equities[35.iii]	$ 79.9	11.1%	12.2%	5.8%
Distressed Opportunities[35.iv]	$ 100.3	4.1%	2.0%	4.3%
Other Equity[35.v]	$ 22.7	1.0%	1.9%	14.7%
Total AUM - Open Funds	**$ 1,294.8**			**Estimated approx. LTD Multiple**
Private Equity Vehicle[35.vi]	$ 240.0	N/A	N/A	1.8x
Total AUM	**$ 1,534.8**			

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. 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. Except as otherwise noted, all performance numbers provided herein reflect the actual net performance of the funds net of management and performance fees, as well as any commissions and direct expenses incurred by the funds, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown.

P&L YTD in 2016 for the Private Equity Vehicle was -$24.5 million through to 30 June 2016 before FX movements of +$2.1 million. P&L is +$127.9 million from closing date net asset value before FX movements of -$37.1 million. The fund is generally precluded from hedging FX exposure. The fund has made life to date distributions of $565 million to its partners. The estimated approximate LTD multiple is based on the fund's quarter end net asset value and historical distributions and other returns over an original aggregate purchase price for the fund's initial assets of approximately $459 million and excludes the effects of FX and certain assets purchased through recycled capital. The estimated approximate LTD multiple including those two items (FX and recycled capital) would be 1.8 x. Each of these multiples will be different from the multiples reflected for specific limited partners in the fund, which would be calculated with respect to relevant class of partners in accordance with the fund's limited partnership agreement.

Convertibles:

- Polygon's convertibles strategy invests primarily in convertible securities in Europe and North America.
- H1 2016 net performance was 4.1%, compared to the HFRX Convertible Arbitrage Index which returned 1.47% for the same period; annualised net performance since inception in May 2009 has been 16.4% compared to 4.9% for the benchmark index.[36]

European Event-Driven Equity:

- Polygon's European Event-Driven strategy invests primarily in the major European equity markets, with an event-driven focus.
- The strategy returned 5.0% net during H1 2016. This compares to the HFRX Event Driven Index which returned 3.25% for the same period; annualised net performance for Polygon's fund since inception in July 2009 has been 11.1% compared to 2.1% for the benchmark index.[37]

Mining Equities

- Polygon's Mining Equities strategy focuses primarily in the equities of global mining companies, many of them based on gold.
- The strategy posted net returns of 11.1% for H1 2016, compared to 121.8% for the GDXJ Junior Gold Miners Index for the same period; annualised net performance since inception in June 2012 has been 5.8% compared to -13.6% for the benchmark index.[38]

POLYGON (continued)

Distressed Opportunities:	• Polygon's Distressed strategy focuses on opportunities in companies undergoing, or about to undergo, balance sheet restructurings. • Net performance during H1 2016 was 4.1%. This compares to the HFRX Distressed Restructuring Index, which returned 7.4% for the same period. Annualised net performance since inception in September 2013 has been 4.3% for the fund, versus the benchmark index return of -1.1%.(39)
Other Equities:	• These investments returned 1.9% net performance during H1 2016 and annualised performance from inception to 31 December 2015 was 14.7%.(40)
Private Equity:	• This represents Polygon's portfolio of private and less-liquid public assets being sold down in a closed-ended investment vehicle. The fund has returned $565 million of cash to its partners since inception in March 2011. As the fund generally does not hedge for FX exposure, P&L can be affected by currency moves. P&L for H1 2016 was -$24.5 million; FX movements accounted for +$2.1 million, leading to net P&L of -$22.4 million. Life to date, gross P&L is +$127.9 million excluding FX; FX movements accounted for -$37.1 million, and thus net P&L was $90.8 million.(41) TFG has not invested directly in this product; however, TFG Asset Management is the beneficiary of

Description of Business:

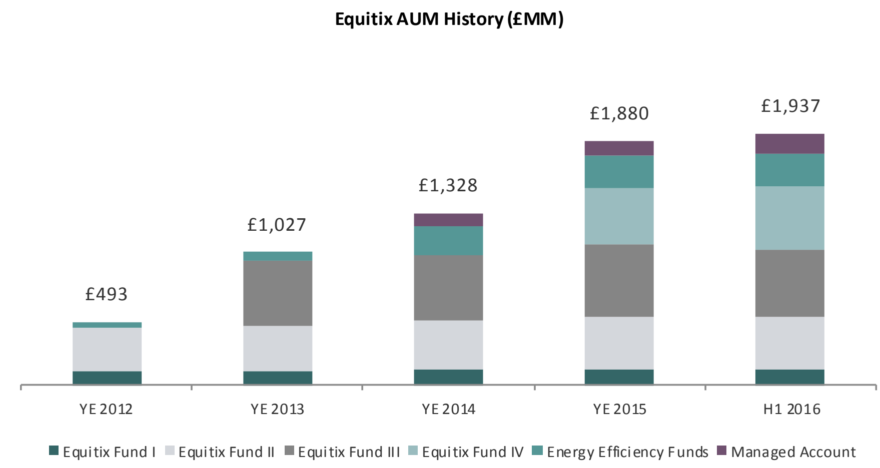
- Equitix is an integrated core infrastructure asset management and primary project platform.
- Equitix was established in 2007 and is based in London.
- TFG owns 85% of the business; over time, TFG's holding is expected to decline to approximately 74.8%. Management own the balance.
- Equitix typically invests in infrastructure projects in the United Kingdom with long-term revenue streams across the healthcare, education, social housing, highways & street lighting, offshore transmission and renewable and waste sectors.
- Fees in this product include a management fee, and a carry interest fee that is over a hurdle currently set at 7.5%. The carried interest fee is typically 20% over the hurdle, and the management fee after the investment period is typically between 1.25% and 1.65%; during the investment period it has ranged between 0.95% and 2.0% on invested capital. The core funds also have an additional fee on committed capital of approximately 0.30%.
- Further information on Equitix is available at www.equitix.co.uk.

Amount of TFG's Investment in Products:

TFG has exposure to the performance of Equitix funds indirectly through its ownership of the company as Equitix holds certain GP interests in the funds it manages. As at 30 June 2016, these interests were valued at £13.9 million ($18.5 million).

AUM:

Figure 21



AUM is £1.9 billion ($2.6 billion)[(i)] at 30 June 2016.

(i)USD-GBP exchange rate at 30 June 2016.

Performance in H1 2016:

Equitix Funds I-III are now cash generative and fully invested or committed. Equitix Fund IV achieved total commitments of £486 million through the end of Q2 2016 and has further commitments due in the coming months. To date, Equitix Fund IV has deployed over £200 million of investments across 14 infrastructure assets. Equitix Managed Account received a further £30 million commitment from its Limited Partner.

HAWKE'S POINT™
MINING FINANCE

Description of Business:	• Hawke's Point is a mining finance company established by TFG Asset Management in Q4 2014 that seeks to provide capital to companies in the mining and resource sectors. • TFG Asset Management owns 100% of the business. • Hawke's Point is currently actively evaluating a range of mine financing opportunities.
Amount of TFG's Investment in Products:	As of 30 June 2016, there were no investments on which to report.
AUM:	Not applicable.

TCIP™ + TCICM™

Description of Business:	• TCIP acts as a general partner of a private equity vehicle that, among other things, makes investments in CLOs relating to risk retention rules.(42) • The business was established at the end of 2015 and is managed out of New York and London. • TFG owns 100% of the business. • TCIP currently acts as general partner of Tetragon Credit Income II L.P. ("TCI II"), which focuses on CLO investments relating to risk retention rules, including majority stakes in CLO equity tranches of transactions managed by LCM or sub-advised by third-party CLO managers. TCI II is structured with a management fee and carried interest over a preferred return (each on non-LCM investments). It has a multi-year investment period and a term of seven years (subject to potential extensions and otherwise as required by applicable regulatory requirements). • TCI Capital Management LLC ("TCICM") is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans. TCICM was established as a Delaware limited liability company in November 2015 and is a subsidiary of Tetragon Credit Income II L.P and recently commenced operations. It acts as a CLO collateral manager and sponsor for certain CLO investments. It utilises, and has access to, the TFG Asset Management platform, including personnel from Polygon Global Partners and LCM Asset Management LLC. • Currently, TCICM manages loan assets exclusively through CLOs (which includes warehouse vehicles created in anticipation of future CLOs), which are long-term, multi-year investment vehicles. At this time, TCICM expects to utilise the investment expertise of certain third-party sub-advisors to assist in the management of its CLOs. Such sub-advisors will typically earn a substantial portion of the management fees from the CLOs. • CLO managers typically earn a management fee of up to 0.50% of total assets, and a performance fee of 20% over a CLO equity IRR hurdle. • Further information on TCIP and TCICM is available at www.tetragoninv.com.
Amount of TFG's Investment in Products:	$50.0 million of committed capital in TCIP.
Committed Capital:	TCI II had a second close in March 2016, bringing its total committed capital to $203.4 million. TCI II made an initial commitment to invest $36.0 million in the equity tranche of a TCICM-managed CLO. Given the current committed capital of TCI II, TFG's share of this investment is approximately $8.8 million. This investment closed shortly after the end of H1 2016. TCI II invests in CLOs managed by TCICM.
Performance in H1 2016:	During H1 2016, TCI II made an investment in a majority stake in the equity tranche of LCM XXI LP and an initial commitment to invest in a majority stake in the equity tranche of TCI-Flatiron 2016-1 Ltd, a U.S. CLO managed by TCICM and sub-advised by a third party. TCIP continues to evaluate investment opportunities for TCI II during its investment period. Including a distribution made shortly after the end of H1 2016, TCI II had made distributions of income of approximately $1.3 million to its limited partners. During H1 2016, TCICM acted as asset manager (with a third party as the operational support provider) for a warehouse vehicle created in anticipation of the issuance of TCI-Flatiron 2016-1 Ltd, a U.S. broadly syndicated CLO that closed shortly after the end of H1 2016.

H1 2016 Financial Review

H1 2016 Financial Review

This section shows consolidated financial data incorporating TFG and its 100% subsidiary, Tetragon Financial Group Master Fund Limited (the "Master Fund"), adjusted from Q3 2015 to reflect the Fair Value of TFG Asset Management's businesses which are consolidated under U.S. GAAP, and provides comparative data where applicable. Comparative data presented for periods prior to Q3 2015 are disclosed as they were reported at the time and have not been adjusted retrospectively to be presented on a fair value basis.

Financial Highlights

Figure 22

TETRAGON FINANCIAL GROUP Financial Highlights Through H1 2014 - H1 2016			
	H1 2016	H1 2015	H1 2014
U.S. GAAP Net income ($MM)	$41.7	$95.7	$71.9
Fair Value Net income ($MM)	$45.1	$109.0	$86.0
U.S. GAAP EPS	$0.44	$0.99	$0.75
Fair Value EPS	$0.47	$1.13	$0.90
Fair Value Return on equity	2.3%	6.0%	4.8%
Fair Value Net Assets ($MM)	$1,907.4	$1,901.0	$1,808.5
U.S. GAAP number of shares outstanding (MM)	87.5	96.8	94.2
Fair Value NAV per share	$21.81	$19.64	$19.19
Fully diluted shares outstanding (MM)	95.6	107.6	105.9
Fully diluted Fair Value NAV per share	$19.96	$17.66	$17.08
DPS	$0.3325	$0.3200	$0.305

TFG uses, among others, the following metrics to understand the progress and performance of the business:

- **Fair Value Net Income ($45.1 million):** See Appendix IV for reconciliation to U.S. GAAP net income.
- **Fair Value Return on Equity (2.3%):** Fair Value Net Income ($45.1 million) divided by Net Assets at the start of the year ($1,987.3 million).
- **Fully Diluted Shares Outstanding (95.6 million):** Adjusts the U.S. GAAP shares outstanding[(i)] (87.5 million) for various dilutive factors (8.1 million shares). See Figure 35 for more details.
- **Fair Value EPS ($0.47):** Calculated as Fair Value Net Income ($45.1 million) divided by weighted-average U.S. GAAP shares(i) during the period (95.8 million).
- **Fully Diluted Fair Value NAV Per Share ($19.96):** Calculated as Fair Value Net Assets ($1,907.4 million) divided by Fully Diluted Shares Outstanding (95.6 million).

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

Fair Value EPS Analysis H1 2014-H1 2016

Figure 23

TETRAGON FINANCIAL GROUP TFG Fair Value Earnings per Share Analysis Through H1 2014 - H1 2016			
	H1 2016	H1 2015	H1 2014
Investment portfolio segment			
U.S. CLO 1.0	$0.13	$0.37	$0.74
U.S CLO 2.0	$0.25	$0.27	$0.12
European CLOs	$0.09	$0.02	$0.14
Equity Funds	$0.13	$0.15	$0.12
Other Equities	$0.06	$0.44	($0.07)
Convertible Bond Fund	$0.02	$0.02	$0.05
Distressed Fund	-	-	$0.06
Direct Loans	$0.01	$0.01	$0.01
Real Estate	$0.06	$0.22	$0.11
TFG Asset Management	($0.02)	$0.14	$0.21
FX, Options and Hedges	($0.02)	($0.07)	($0.10)
Corporate Expenses	($0.24)	($0.36)	($0.45)
Corporate Income Taxes	$0.00	($0.08)	($0.04)
Fair Value EPS	**$0.47**	**$1.13**	**$0.90**
Weighted Average Shares (MM)	95.8	96.3	96.0

Statement of Operations (Fair Value Basis)

Figure 24

TETRAGON FINANCIAL GROUP Fair Value Statement of Operations Through H1 2014 - H1 2016			
	H1 2016 $MM	H1 2015 $MM	H1 2014 $MM
Interest income	55.5	61.6	85.3
Fee income	1.6	30.7	33.0
Unrealised Polygon performance fees	-	3.3	4.7
Other income - cost recovery	-	9.9	11.4
Insurance Recovery	-	9.8	-
Dividend income	2.2	0.1	-
Investment income	**59.3**	**115.4**	**134.4**
Management and performance fees	(19.3)	(40.8)	(33.1)
Other operating and administrative expenses	(4.6)	(38.8)	(41.2)
Amortisation of intangible assets	-	(3.4)	(3.4)
Total operating expenses	**(23.9)**	**(83.0)**	**(77.7)**
Net Investment income	**35.4**	**32.4**	**56.7**
Net change in unrealised appreciation / (depreciation) in investments	37.5	40.2	(33.6)
Realised (loss) / gain on investments	(26.2)	48.1	76.2
Realised and unrealised losses from hedging and fx	(1.5)	(4.4)	(9.4)
Net realised and unrealised gains from investments and fx	**9.8**	**83.9**	**33.2**
Net income before tax	**45.2**	**116.3**	**89.9**
Income tax	(0.1)	(7.3)	(3.9)
Net income	**45.1**	**109.0**	**86.0**

Performance Fee

A performance fee of $2.5 million was accrued in Q2 2016 in accordance with TFG's investment management agreement. The hurdle rate for the Q3 2016 incentive fee has been reset at 3.301208% (Q2 2016: 3.276958%) as per the process outlined in TFG's 2015 audited financial statements and in accordance with TFG's investment management agreement. Please see TFG's website, www.tetragoninv.com, and the 2015 TFG audited financial statements for more details on the calculation of this fee.

Balance Sheet (Fair Value Basis)

Figure 25

TETRAGON FINANCIAL GROUP Fair Value Balance Sheet as at 31 December 2014, 2015, and 30 June 2016			
	H1 2016 $MM	2015 $MM	2014 $MM
Assets			
Investments	1,477.6	1,543.0	1,356.2
Intangible assets	-	-	29.7
Cash and cash equivalents	382.0	402.7	402.0
Amounts due from brokers	55.8	59.9	52.1
Derivative financial assets	28.3	19.4	19.2
Fixed Assets	-	-	0.1
Deferred tax asset and income tax receivable	-	-	10.0
Other receivables	1.0	3.1	33.4
Total assets	**1,944.7**	**2,028.1**	**1,902.7**
Liabilities			
Other payables and accrued expenses	31.6	36.0	54.5
Amounts payable on share options	-	-	12.3
Deferred tax liability and income tax payable	2.0	4.1	11.5
Derivative financial liabilities	3.7	0.7	5.9
Total liabilities	**37.3**	**40.8**	**84.2**
Net assets	**1,907.4**	**1,987.3**	**1,818.5**

See Appendix IV for the reconciliation between the U.S. GAAP consolidated balance sheet and the balance sheet prepared on a Fair Value basis.

Statement of Cash Flows (Fair Value Basis)[(i)]

Figure 26

TETRAGON FINANCIAL GROUP Fair Value Statement of Cash Flows Through H1 2014 - H1 2016			
	H1 2016 $MM	H1 2015 $MM	H1 2014 $MM
Operating Activities			
Operating cash flows after incentive fees and before movements in working capital	129.0	148.4	134.6
Purchase of fixed assets	-	(0.1)	-
Amounts due (to) / from broker	4.1	(20.5)	(31.0)
Decrease in net receivables	2.0	4.6	(2.8)
Cash flows from operating activities	**135.1**	**132.4**	**100.8**
Investment Activities			
Proceeds on sales of investments			
- Net proceeds from derivative financial instruments	3.1	7.6	(11.8)
- Proceeds from investments	1.4	68.3	12.5
- Proceeds from realisation of real estate investments	10.1	22.4	26.7
- Proceeds from GreenOak working capital repayment	-	6.4	2.6
Purchase of investments			
- Purchase of CLOs	(12.7)	(27.8)	(63.6)
- Purchase of bank loans	(4.4)	-	(1.4)
- Purchase of real estate investments	(27.9)	(54.9)	(50.1)
- Investments in asset managers	-	(133.1)	-
- Investments in Convertible Bond Fund	-	-	(15.0)
- Investments in Distressed Fund	-	(5.0)	(10.0)
- Investments in Other	-	(22.1)	(27.3)
Cash flows from operating and investing activities	**104.7**	**0.7**	**91.4**
Net purchase of shares	(100.7)	0.1	(50.9)
Dividends paid to shareholders	(24.4)	(24.8)	(27.3)
Cash flows from financing activities	**(125.1)**	**(24.7)**	**(78.2)**
Net increase in cash and cash equivalents	(20.4)	(24.0)	13.2
Cash and cash equivalents at beginning of period	402.7	402.0	245.9
Effect of exchange rate fluctuations on cash and cash equivalents	(0.3)	0.8	(0.2)
Cash and cash equivalents at end of period	**382.0**	**378.8**	**258.9**

(i) The gross dividend payable to shareholders was $32.0 million (H1 2015: $30.3 million, H1 2014: $29.0 million) with a value equivalent to $7.6 million (H1 2015: $5.5 million, H1 2014: $1.7 million) elected to be taken by the dividend recipient in shares rather than cash.

Fair Value Net Income to U.S. GAAP Reconciliation

Figure 27

Fair Value Net Income to U.S. GAAP Reconciliation	
	H1 2016 $MM
Fair Value Net Income	**45.1**
Fair Value Adjustments	8.1
Share based compensation	(11.5)
U.S. GAAP net income	**41.7**

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

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

1. Adjustment one takes into account a Fair Value adjustment of $8.1 million for Polygon, LCM, Hawke's Point and TCIP as if they were de-consolidated and held at Fair Value rather than consolidated as they currently are for U.S. GAAP purposes. Further details are provided in Appendix IV.

2. Adjustment two removes share based compensation of $11.5 million as, under ASC 805, TFG is recognizing the value of the shares given in consideration for the Polygon transaction as compensation over the period in which they are vesting, as well as in relation to certain long-term compensation plans. This mechanic and future vesting schedule for all share based compensation related shares are described in more detail in the 2016 TFG unaudited interim financial statements. The long -term compensation plans are also detailed in Appendix VII.

Appendices

Appendices[43]

APPENDIX I

Certain Regulatory Information

This Performance Report constitutes TFG's semi-annual financial report as required pursuant to Section 5:25d of the Dutch Financial Markets Supervision Act ("FMSA"). This report is made public by means of a press release, which contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation, and has been filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) pursuant to 5:25m of the FMSA. In addition, this report is 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 contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

TFG shares (the "Shares") are subject to legal and other restrictions on resale and the Euronext Amsterdam N.V. and SFS trading markets are 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.

Directors' Statements

The Directors of TFG confirm that (i) this Performance Report constitutes the TFG management review for the six month period ended 30 June 2016 and contains a fair review of that period and (ii) the financial statements in the accompanying unaudited interim report for the six month period ended 30 June 2016 for TFG have been prepared in accordance with applicable laws and in conformity with accounting principles generally accepted in the United States of America.

APPENDIX II

Fair Value Determination of 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.

The below modelling assumptions are unchanged from last quarter. The Company will provide analytical information on these assumptions as needed going forward, rather than each quarter.

Figure 28

U.S. CLOs Modelling Assumption

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 29

European CLOs Modelling Assumption

Variable	Year	Current Assumptions
CADR	**Until deal maturity**	1.0x WARF-implied default rate (2.1%)
Recovery Rate	**Until deal maturity**	67%
Prepayment Rate	**Until deal maturity**	20.0% p.a. on loans; 0.0% on bonds
Reinvestment Price	**Until deal maturity**	100%

Figure 30

Discount Rates

CLO Type	H1 2016	Q4 2015
U.S. 1.0	12.0%	12.0%
European 1.0	13.0%	13.0%
U.S. 2.0 - seasoned	11.0%	11.0%
U.S. 2.0 - less than 12 months old	Deal IRR	Deal IRR

APPENDIX III

Fair Value Determination of TFG Asset Management

In accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2015): Investment Companies (the "Guide"), as an Investment Company, TFG carries all of its investments at Fair Value. However, as outlined in section 7.10 of the Guide, operating entities should be consolidated where TFG (i) has an economic interest in excess of 50%; (ii) is deemed to have control over the significant operational and financial decisions of the entity; and (iii) where the purpose of the operating entity is to provide services to the Investment Company (i.e., TFG) rather than realise a gain on the sale of the investment. As at 30 June 2016, this consolidation exemption was applied to TFG's holdings in Polygon, LCM, Hawke's Point and TCIP (the "Consolidated Businesses") because these businesses were managing some of TFG's investment capital and thus could be deemed to be providing services to TFG. In contrast, Equitix is not managing TFG's capital so is not subject to point (iii) above, and GreenOak is minority-owned so is not subject to points (i) or (ii) above.

The resultant inconsistency of treatment under U.S. GAAP of the businesses in TFG Asset Management is potentially confusing to the reader of TFG's financial statements, particularly since the determination and articulation in Q3 2015 of the "IPO Strategy"[44] for TFG Asset Management, which confirmed that the primary commercial purpose for TFG Asset Management, including the Consolidated Businesses, is to be held as an investment for capital appreciation, in line with TFG's investment objective. Consequently, from Q3 2015, TFG has prepared and presented its non-GAAP financial metrics and performance information using a consistent Fair Value basis for all of TFG Asset Management. Some of the differences resulting from the presentation of non-GAAP metrics are reconciled in Appendix IV.

TFG's investments in the TFG Asset Management businesses are considered to be "Level 3" investments in the U.S. GAAP valuation hierarchy and the Audit Committee of TFG, comprising the Independent Directors, has engaged third-party valuation specialists to determine an indicative valuation for each of these businesses. These valuations have been adopted for the purposes of reporting the Fair Value impact in TFG's non-GAAP metrics as at 30 June 2016.

Figure 31 sets out the valuation approach utilised for each of the businesses as well as the range of market metrics utilised in determining Fair Value. Both management and performance fees (collectively, the "Fees") continue to be calculated based on the U.S. GAAP measure of Net Asset Value and thus the non-GAAP adjustments do not currently impact the Fees payable to the Investment Manager.

Figure 31

Valuation approach to TFG's investments in TFG Asset Management						
Investment	TFG holding	Fair Value ($MM)	Valuation approach	Ranges utilised: Discount Rate	Multiple	Value as % of AUM
Equitix	75% & Debt	167.1	Discounted cash flow analysis and cross-check to quoted market multiples. Debt at par + accrued interest	9.5% 15% Discount for Lack of Liquidity ("DLOL")	5.5 x - 6.5 x EBITDA 20% discount built-in	N/A
GreenOak	23%	66.0	Quoted market multiples and cross-check using blended EBITDA and quoted market multiples	N/A	12.0 x Adjusted EBITDA	N/A
LCM	100%	102.8	Discounted cash flow analysis, cross checked to market multiples	10.7%-12.7% 15% Discount for Lack of Liquidity ("DLOL")	N/A	1.4% -1.9% DLOL built-in
Polygon	100%	62.9	Discounted cash flow analysis and cross-check to quoted market multiples	11.7-13.7% 20% DLOL	6.8 x - 7.6 x EBITDA DLOL built-in	3.3 x - 3.8 x DLOL built-in
Hawke's Point	100%	0.7	Replacement cost approach	N/A	N/A	N/A
TCIP	100%	0.4	Discounted cash flow analysis	11.6%-13.6% 15% Discount for Lack of Liquidity ("DLOL")	N/A	N/A

APPENDIX IV

Reconciliation Between U.S. GAAP and Fair Value Basis

This section describes how the non-GAAP Fair Value adjustments relating to LCM, Polygon, Hawke's Point and TCIP have been made to the U.S. GAAP financials to arrive at the Key Performance Metrics.

Figure 32 details the impact of such a change in accounting treatment for LCM, Polygon, Hawke's Point and TCIP in terms of carrying value and performance fees.

In arriving at the imputed performance fee, the change in NAV is adjusted by the full amortisation of the remaining base cost ($27.7 million) of the purchase of 25% of LCM in 2012. Previously, this was being amortised on a straight-line basis over 10 years, and each quarter an applicable adjustment is made to reduce the performance fees payable to the investment manager.

Figure 32

TFG Asset Management - Impact of Use of Fair Value Metrics on Consolidated Businesses			
	Fair Value 30 Jun 16 ($MM)	U.S. GAAP Consolidated Value 30 Jun 16 ($MM)	Change ($MM)
Polygon	62.9	21.7	41.2
LCM	102.8	-	102.8
Hawke's Point	0.7	-	0.7
TCIP	0.4	-	0.4
Net assets of consolidated businesses	-	17.8	(17.8)
Deferred tax liability re intangible assets	-	(5.4)	5.4
Fair Value impact gross of imputed performance fee	**166.9**	**34.1**	**132.8**
			$MM
Gross change in NAV for purposes of incentive fee calculation			132.8
Full amortisation of LCM base cost			(27.7)
NAV for purposes of incentive fee calculation			105.1
Imputed performance fee			26.3
Fair Value impact net of imputed performance fee			106.5

APPENDIX IV *(continued)*

Reconciliation Between U.S. GAAP and Fair Value Basis *(continued)*

Figure 33 shows a reconciliation between the Statement of Operations prepared on a full Fair Value basis and on a U.S. GAAP basis.

In addition to adding in the unrealised Fair Value as detailed in Figure 32, the reconciliation shows the removal of the operating P&L for H1 2016, and the reversal of certain balance sheet items relating to Polygon, LCM, Hawke's Point or TCIP. Such items include the remaining intangible asset balance relating to Polygon's management contracts and a reversal of a deferred tax liability.

We adjust for change in notional performance fees as calculated in Figure 32.

In addition, as in prior periods, we back out share-based compensation of $11.5 million as, under ASC 805, TFG is recognising the value of the shares given in consideration for the Polygon transaction as compensation over the period in which they are vesting. This mechanic and future vesting schedule for share-based compensation are described in more detail in the 2016 Interim Master Fund unaudited financial statements.

Figure 33

TETRAGON FINANCIAL GROUP Fair Value to U.S. GAAP Statement of Operations Reconciliation Through H1 2016				
	Fair Value Net Income $MM	Fair Value Adjustments $MM	Share Based Compensation $MM	U.S. GAAP $MM
Interest income	55.5	-	-	55.5
Fee income	1.6	26.0	-	27.6
Other income - cost recovery	-	8.2	-	8.2
Dividend income	2.2	-	-	2.2
Investment income	**59.3**	**34.2**	**-**	**93.5**
Management and performance fees	(19.3)	(2.0)	-	(21.3)
Other operating and administrative expenses	(4.6)	(36.0)	(11.5)	(52.1)
Amortisation of intangible assets	-	(1.7)	-	(1.7)
Total operating expenses	**(23.9)**	**(39.7)**	**(11.5)**	**(75.1)**
Net Investment income	**35.4**	**(5.5)**	**(11.5)**	**18.4**
Net change in unrealised appreciation / (depreciation) in investments	37.5	13.2	-	50.7
Realised (loss) / gain on investments	(26.2)	-	-	(26.2)
Realised and unrealised losses from hedging and fx	(1.5)	-	-	(1.5)
Net realised and unrealised gains from investments and fx	**9.8**	**13.2**	**-**	**23.0**
Net income before tax	**45.2**	**7.7**	**(11.5)**	**41.4**
Income tax	(0.1)	0.4	-	0.3
Net income	**45.1**	**8.1**	**(11.5)**	**41.7**

APPENDIX IV *(continued)*

Reconciliation Between U.S. GAAP and Fair Value Basis *(continued)*

Figure 34 shows a reconciliation between the Balance Sheet prepared on a full Fair Value basis and on a U.S. GAAP basis.

In addition to adding in the unrealised Fair Value of $166.9 million as detailed in Figure 32, the reconciliation shows the removal of certain balance sheet items relating to Polygon, LCM, Hawke's Point and TCIP, including the value of Polygon's un-amortised management contracts ($21.7 million), cash of $30.3 million held in TFG Asset Management, a small amount of fixed assets, a deferred tax asset and receivables, which mainly relate to cost recoveries. On the liability side, we reverse certain accrued expenses including compensation and add back a notional performance fee of $26.3 million relating to the Fair Value adjustment as detailed in Figure 32.

Figure 34

TETRAGON FINANCIAL GROUP Fair Value to U.S. GAAP Balance Sheet Reconciliation as at 30 June 2016			
	Fair Value $MM	Fair Value Adjustments $MM	U.S. GAAP $MM
Assets			
Investments	1,477.6	(166.9)	1,310.7
Intangible assets	-	21.7	21.7
Cash and cash equivalents	382.0	30.2	412.2
Amounts due from brokers	55.8	-	55.8
Derivative financial assets	28.3	-	28.3
Fixed Assets	-	0.4	0.4
Deferred tax asset and income tax receivable	-	10.1	10.1
Other receivables	1.0	13.4	14.4
Total assets	**1,944.7**	**(91.1)**	**1,853.6**
Liabilities			
Other payables and accrued expenses	31.6	7.9	39.5
Deferred tax liability and income tax payable	2.0	7.6	9.6
Derivative financial liabilities	3.7	-	3.7
Total liabilities	**37.3**	**15.5**	**52.8**
Net assets[(i)]	**1,907.4**	**(106.5)**	**1,800.8**

(i) The U.S. GAAP net assets of Tetragon Financial Group Master Fund are $1,803.3 million which are calculated by adding back the incentive fee of $2.5 million accrued at Tetragon Financial Group Limited to its U.S. GAAP net assets of $1,800.8 million.

APPENDIX V

Share Reconciliation and Shareholdings

Figure 35[45]

U.S. GAAP to Fully Diluted Shares Reconciliation	
	H1 2016 Shares MM
Legal Shares Issued and Outstanding	**139.1**
Less: Shares Held in Subsidiary	(27.0)
Less: Shares Held in Treasury	(12.0)
Less: Total Escrow Shares[45.i]	(12.7)
U.S. GAAP Shares Outstanding	**87.5**
Add: Dilution for Share Options[45.iii]	0.9
Add: Certain Escrow Shares[45.iv]	6.8
Add: Dilution for equity-based awards[45.v]	0.4
Fully Diluted Shares Outstanding	**95.6**

Shareholdings

Persons affiliated with TFG maintain significant interests in TFG shares. For example, as of 30 June 2016, the following persons own (directly or indirectly) interests in shares in TFG in the amounts set forth below:

Mr. Reade Griffith*	10,452,930
Mr. Paddy Dear*	3,484,009
Mr. David Wishnow	234,984
Mr. Jeff Herlyn	170,904
Mr. Rupert Dorey	115,951
Mr. Michael Rosenberg	68,052
Mr. Frederic Hervouet	15,978
Equity-based awards[46]	5,341,826

*The amounts set forth above in regards to Messrs. Griffith and Dear include their interests with respect to the Escrow Shares. In addition to the foregoing, as of 30 June 2016, certain employees of subsidiaries of TFG and other affiliated persons own in the aggregate approximately 3.4 million shares, including interests with respect to the Escrow Shares, in each case, however, excluding any TFG shares held by the GreenOak principals or employees.

As previously disclosed, non-voting shares of TFG (together with accrued dividends and previously vested shares, (the “Vested Shares”)) that were issued pursuant to TFG’s acquisition in October 2012 of TFG Asset Management L.P. (f/k/a Polygon Management L.P.) and certain of its affiliates (the “Polygon Transaction”) have vested with certain persons (other than Messrs. Griffith and Dear), all of whom are employees or partners of TFG-owned or affiliated entities, pursuant to the Polygon Transaction.

Certain of these persons may from time to time enter into purchases or sales trading plans (each a, “Fixed Trading Plan”) providing for the sale of Vested Shares or the purchase of TFG shares in the market, or may otherwise sell their Vested Shares or purchase TFG shares, subject to applicable compliance policies. Applicable brokerage firms may be authorised to purchase or sell TFG shares under the relevant Fixed Trading Plan pursuant to certain irrevocable instructions. Each Fixed Trading Plan is intended to comply with Rule 10b5-1 under the United States Securities Exchange Act of 1934, as amended. Each Fixed Trading Plan has been or will be approved by TFG in accordance with its applicable compliance policies.

For additional information regarding the Polygon Transaction and the future vesting schedule for shares issued thereunder, see Note 22 to the 2015 Tetragon Financial Group Master Fund Limited audited financial statements.

Rule 10b5-1 provides a “safe harbor” that is designed to permit individuals to establish a pre-arranged plan to buy or sell company stock if, at the time such plan is adopted, the individuals are not in possession of material, non-public information.

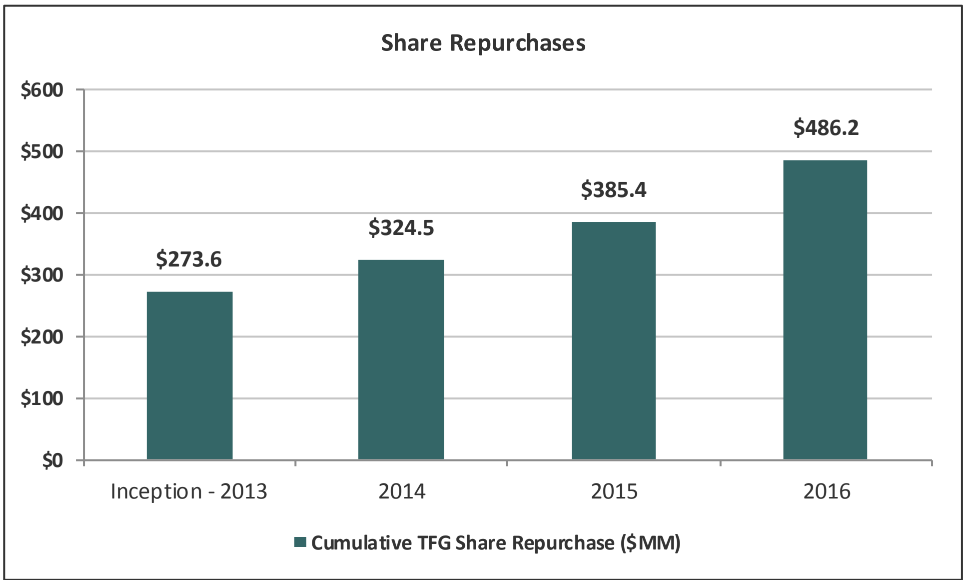
APPENDIX VI

Historical Share Repurchases

Figure 36

TFG Share Repurchase History				
Year	$MM	Cumulative $MM	No. of Shares (MM)	Cumulative No. of Shares (MM)
2007	$2.2	$2.2	0.3	0.3
2008	$12.4	$14.5	2.6	2.9
2009	$6.6	$21.2	2.4	5.3
2010	$25.5	$46.7	5.7	11.0
2011	$35.2	$81.9	5.1	16.1
2012	$175.6	$257.5	18.7	34.8
2013	$16.1	$273.6	1.4	36.2
2014	$50.9	$324.5	4.9	41.1
2015	$60.9	$385.4	6.0	47.1
2016	$100.7	$486.2	10.0	57.1
TOTAL	**$486.2**		**57.1**	

Figure 37



Share Repurchases:

The above graph shows historical share repurchases by TFG from inception to 30 June 2016. This has been updated to include the repurchase in Q2 2016 of 10 million shares for an aggregate cost of $100.7 million. This figure includes certain costs associated with the repurchase.[47]

APPENDIX VII

Equity-Based Compensation Plans

In Q1 2016, TFG implemented an equity-based long-term incentive plan for certain senior employees of TFG Asset Management (excluding the principals of TFM).

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

Where grants under these equity-based incentive programs will only be settled through the issuance of shares rather than through cash, and in accordance with U.S. GAAP rules for share-based compensation, TFG has elected to account for equity-based plans under ASC 718 – Equity-based payments to employees – and is applying the straight-line method for expense recognition and for calculating the share dilution effect. This means that the total expense of the initial awards is determined at the award date, or at the date that the award becomes eligible to be settled only in shares ("Award Date"), by applying a reference share price on the Award Date to the shares awarded. Taking into account all equity-based awards granted to TFG Asset Management employees, including the Q1 2016 LTIP awards, approximately 5.1 million shares have been awarded at a weighted average reference share price of $8.76 per share, implying a total share-based compensation charge of approximately $45 million spread over a period of up to eight years, excluding employer-related taxes.

The dilutive effect of the equity-based compensation plans will be reflected increasingly in TFG's fully diluted share count over the life of the plans. Such dilution will include, among other things and in addition to the award shares, any DRIP Shares and shares that will be required to cover employer taxes. At the end of Q2 2016, approximately 0.4 million shares were included in the fully diluted share count.

APPENDIX VIII

Board of Directors

The Board of Directors currently comprises six directors, of which four are Independent Directors.

Rupert Dorey has over 30 years of experience in financial markets. Rupert was at CSFB for 17 years from 1988 to 2005 where he specialised in credit related products, including derivative instruments where his expertise was principally in the areas of debt distribution, origination and trading, covering all types of debt from investment grade to high yield and distressed debt. He held a number of senior positions at CSFB, including establishing CSFB's high yield debt distribution business in Europe, fixed income credit product coordinator for European offices and head of UK Credit and Rates Sales. Since 2005, he has been acting in a Non-Executive Directorship capacity for a number of Hedge Funds, Private Equity & Infrastructure Funds, for both listed and unlisted vehicles. Rupert is a former President of the Guernsey Chamber of Commerce and is a member of the Institute of Directors. Rupert is based in Guernsey and is a Non-Executive, Independent Director.

Frederic Hervouet has over 17 years of experience in financial markets and hedge funds, including in multi-asset class investment and risk management, structured products and structured finance. Until September 2013, Frederic was a Managing Director and Head of Commodity Derivatives Asia for BNP Paribas, where he was focused on trading, structuring and sales. Previously, Frederic was a Director and Global Head of Sales at Diapason Commodities Management SA, a partner at Systeia Capital Management, which is now part of Amundi Asset Management, and a Director and Head of European Market Distribution at BAREP Asset Management, the hedge fund management subsidiary of Société Générale. Frederic has a MSc in Applied Mathematics and International Finance and a Master's Degree (DESS) in Financial Markets, Commodities Markets and Risk Management from the Université Paris Dauphine. He is a member of the Institute of Directors (IoD) and of the Guernsey Chamber of Commerce. Frederic is based in Guernsey and is a Non-Executive, Independent Director.

David Jeffreys provides directorship services to a small number of fund groups. From 1995 until 2010 David worked with EQT, a Scandinavian private equity group, acting as a director of each of its Fund general partners and, from 2006, establishing and serving as Managing Director of EQT Funds Management Limited, its Guernsey based management and administration office. Between 1993 and June 2004, David was managing director of Abacus Fund Managers (Guernsey) Limited, where he was involved with private client trust arrangements, corporate administration, pension schemes and fund administration. He was a board member of Abacus' principal administration operating companies and served on the boards of various administrated client companies. Previously, David worked as an auditor and accountant for 12 years with Coopers & Lybrand (and its predecessor firms). He has an undergraduate degree in Economics and Accounting from the University of Bristol and is a fellow of the Institute of Chartered Accountants in England and Wales. David is based in Guernsey and is a Non-Executive, Independent Director.

William P. Rogers, Jr. retired from the Corporate Department of Cravath, Swaine & Moore LLP in December 2015 after 36 years at the firm. His practice encompassed the representation of both corporate and financial institution clients in a wide variety of matters, including international securities offerings, corporate governance and SEC compliance matters, mergers and acquisitions, and derivative financial products. Mr. Rogers was repeatedly cited as one of the United States' leading practitioners in capital markets by, among others, Chambers USA: America's Leading Lawyers for Business; Chambers Global: The World's Leading Lawyers for Business; The Legal 500; and IFLR1000. Mr. Rogers regularly advised a wide variety of clients, including Royal Dutch Shell plc, Bacardi Limited, Time Warner Inc., Northrop Grumman Corporation, CBS Corporation, INEOS Group Limited, Tetragon Financial Group Limited, Costamare Inc., priceline.com Incorporated, FactSet Research Systems Inc., Morgan Stanley, Citigroup, GasLog Ltd. and Goldman Sachs. Mr. Rogers also regularly advised corporate clients on derivatives matters, including the implications of the new Dodd�Frank swaps regulation. He was involved in the formation of the International Swaps and Derivatives Association (ISDA) and, prior to his move to London, regularly represented ISDA on legislative, regulatory and documentation matters. Mr. Rogers was born in Bronxville, New York. He received a B.A. from Union College in 1972 and a J.D. from Case Western Reserve School of Law in 1978. From 1998 to 2001, he served as the Managing Partner of Cravath's Corporate Department and, from 2001 to 2007, headed the firm's London office. Mr. Rogers is based in New York.

Reade Griffith co-founded Polygon in 2002 and Tetragon Financial Management LP (TFM) in 2005. He is a Principal of TFM, the Head of TFM's Investment & Risk Committee, a member of TFM's Executive Committee, the CIO of Polygon's European Event Driven Equities strategy, a member of the Investment & Management Committee of Tetragon Credit Income Partners Ltd. and Tetragon Credit Income II L.P., and a member of the TFG board of directors. He was previously the founder and chief executive officer of the European office of Citadel Investment Group, a multi-strategy hedge fund that he joined in 1998. He was a partner and senior managing director responsible for running the Global Event Driven arbitrage team in Tokyo, London and Chicago for the firm. He was previously with Baker, Nye, where he was an analyst working on an arbitrage and special situations portfolio. Reade holds a JD degree from Harvard Law School and an undergraduate degree in Economics from Harvard College. He also served as an officer in the U.S. Marine Corps and left as a Captain following the 1991 Gulf War. Reade is based in London.

Paddy Dear co-founded Polygon in 2002 and Tetragon Financial Management LP (TFM) in 2005. He is a Principal of TFM, a member of TFM's Investment & Risk Committee, a member of TFM's Executive Committee, a member of the Investment & Management Committee of Tetragon Credit Income Partners Ltd. and Tetragon Credit Income II L.P., the Co-Head of TFG Asset Management and a member of the TFG board of directors. Paddy was previously a Managing Director and the Global Head of Hedge Fund Coverage for UBS Warburg Equities. Prior to this, he was co-head of European sales trading, execution, arbitrage sales and flow derivatives. He had been with UBS since 1988, including six years in New York. Paddy was in equity sales at Prudential Bache before joining UBS and started his career as a petroleum engineer with Marathon Oil Co. Paddy holds a BSc degree in Petroleum Engineering from Imperial College in London. Paddy is based in London.

Further Shareholder Information

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Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
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General Partner of Investment Manager
Tetragon Financial Management GP LLC
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Channel Islands GY1 1DB

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United States of America

Legal Advisor (as to Guernsey law)
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Redwood House
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Channel Islands GY1 1WA

Legal Advisor (as to Dutch law)
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Claude Debussylaan 80
1082 MD Amsterdam
The Netherlands

Stock Listing
Euronext Amsterdam N.V.
London Stock Exchange (Specialist Fund Segment)

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

ENDNOTES

TFG is not responsible for the contents of any third-party website noted in this report.

TFG: Delivering Results Since 2005

(1) (i) TFG commenced investing as an open-ended investment company in 2005, before its IPO in April 2007.

(ii) TFG seeks to deliver 10-15% Fair Value RoE per annum to shareholders. 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.

(iii) Fair Value RoE is calculated from TFG's IPO in 2007. 2015 RoE includes a fair value adjustment for certain TFG Asset Management businesses, the value of which has accumulated over several years. Consequently the full year return of 14.5% is not prepared on a like for like basis with prior years. Like for like performance for 2015 was 8.2%. Please refer to page 28 for a definition of Fair Value RoE and Appendix IV for more details.

(iv) Annualised total shareholder return to 30 June 2016, defined as share price appreciation including dividends reinvested, for the last year, the last three years, the last five years, and since TFG's initial public offering in April 2007, and annualised Fair Value NAV Per Share Total Return to 30 June 2016, for the last year, the last three years, the last five years, and since TFG's initial public offering in April 2007 as sourced from Bloomberg. Fair Value Total NAV Return is determined in accordance with the "NAV total return performance" calculation as set forth on the Association of Investment Companies ("AIC") website. TFG's Fair Value NAV per share Total Return is determined for any period by calculating, as a percentage return on the Fair Value NAV per Share at the start of such period, (i) the change in Fair Value NAV per share over such period, plus (ii) the aggregate amount of any dividends per share paid during such period, with any dividend deemed reinvested at the Fair Value NAV per share at the month end date closest to the applicable ex-dividend date (i.e., so that the amount of any dividend is increased or decreased by the same percentage increase or decrease in Fair Value NAV per share from such ex-dividend date through to the end of the applicable period).

(v) Fair Value EPS divided by Dividends per Share at 30 June 2016.

(vi) The vast majority of TFG's investments are held at fair value in accordance with U.S. GAAP. The fair value basis for TFG's key performance metrics adjusts U.S. GAAP to include the fair value of certain TFG Asset Management businesses that are currently consolidated under U.S. GAAP. The fair values used are as determined by TFG's Audit Committee based on information provided by an independent valuation specialist. The consistent use of fair value across all investments is referred to in this report as "Fair Value". Fair Value Key Metrics such as Fair Value RoE and Fair Value NAV are also adjusted to reflect incentive fees that would otherwise have arisen if these Fair Values were actually reflected in the U.S. GAAP accounting for TFG's financial statements. Please refer to Appendices III and IV for further details.

(vii) Fully Diluted Fair Value NAV Per Share based on TFG's financial statements as of 30 June 2016. Please note that the reported Fair Value NAV per share excludes any shares held in treasury or in a subsidiary as of that date, but includes 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 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. Please see Figure 22 for more details.

(viii) Partner & Employee shareholdings at 30 June 2016, including all deferred compensation arrangements. Please refer to the 2015 Audited Tetragon Financial Group Master Fund Limited financial statements for more details of these arrangements.

Executive Summary

(2) TFG's 'home Member State' for the purposes of the EU Transparency Directive (Directive 2004/109/EC) is the Netherlands.

(3) 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 non-voting shares. In this report, unless otherwise stated, we report on the consolidated business incorporating TFG and TFGMF. References to "we" are to Tetragon Financial Management LP, TFG's investment manager (the "Investment Manager").

(4) Please see Note (1)(ii).

(5) Please see Note (1)(ii).

(6) Source: Wall Street Journal, "U.S. 10-Year Government Bond Yield Falls to Lowest Since 2012", June 14, 2016 (http://www.wsj.com/articles/u-s-10-year-bond-falls-to-near-record-low-as-bund-yield-turns-negative-1465914088).

(7) The Fair Value NAV per share Total Return adjusts the Fair Value NAV per share for any dividends paid out over the period (assuming dividends are re-invested at the prevailing Fair Value NAV per share).

(8) Tetragon Credit Income II L.P. ("TCI II"), referred to in this report as "TCI II".

(9) TCI Capital Management LLC, referred to in this report as "TCICM".

(10) GreenOak Real Estate, LP, is referred to in this report as "GreenOak". TFG owns a 23% interest in GreenOak.

(11) Source: The Association of Real Estate Funds (AREF) AREF/IPD UK Pooled Property Fund Index, December 2015 (http://www.aref.org.uk).

(12) Calculated by taking Partner & Employee shareholdings at 30 June 2016, including all deferred compensation arrangements and dividing the sum of US GAAP shares in issue and all future vesting shares for those persons, including deferred compensation arrangements.

(13) (i) Fair Value Total NAV Return is determined in accordance with the "NAV total return performance" calculation as set forth on the Association of Investment Companies ("AIC") website. TFG's Fair Value NAV per share Total Return is determined for any period by calculating, as a percentage return on the Fair Value NAV per Share at the start of such period, (i) the change in Fair Value NAV per share over such period, plus (ii) the aggregate amount of any dividends per share paid during such period, with any dividend deemed reinvested at the Fair Value NAV per share at the month end date closest to the applicable ex-dividend date (i.e., so that the amount of any dividend is increased or decreased by the same percentage increase or decrease in Fair Value NAV per share from such ex-dividend date through to the end of the applicable period).

(ii) MSCI ACWI refers to the MSCI All Countries World Index, which is managed by MSCI Inc. It is a global equity index consisting of developed and emerging market countries. Any indices and other financial benchmarks are provided for illustrative purposes only. Comparisons to indices have limitations because, for example, indices have volatility and other material characteristics that may differ from the fund. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. Further information on the composition and calculation of the MSCI ACWI is available at www.msci.com. The data depicted here is sourced from Bloomberg using Bloomberg's "Custom Total Return Holding Period" function.

(iii) Cumulative return determined on a quarterly compounding basis using the actual TFG quarterly incentive fee LIBOR based hurdle rate. In the period from IPO to June 2008 this was 8%; thereafter, the hurdle has been determined using the 3 month USD LIBOR rate on the first day of each calendar quarter plus a spread of 2.647858%.

TFG Overview

(14) Euronext in Amsterdam is a regulated market of Euronext Amsterdam N.V. ("Euronext Amsterdam"). As is the case for Euronext Amsterdam, the SFS is a regulated market for the purposes of the Markets in Financial Instruments Directive.

(15) Includes GreenOak funds and advisory assets, LCM, 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, Polygon Distressed Opportunities Master Fund, Equitix, TCI II, and TCICM as calculated by the applicable administrator for value date 30 June 2016. 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, each of which is an investment manager registered under the U.S. Investment Advisers Act of 1940. Figures for GreenOak and TCI II may also include committed capital.

(16) LCM Asset Management LLC, a CLO loan manager that is part of TFG Asset Management, is referred to in this report as "LCM".

(17) Polygon Global Partners LP and Polygon Global Partners LLP (and certain of their affiliates), managers of open-ended hedge fund and private equity vehicles across a number of strategies that are part of TFG Asset Management, referred to in this report as "Polygon". Polygon Global Partners LLP is authorised and regulated by the United Kingdom Financial Conduct Authority.

(18) Equitix Holdings Limited, referred to in this report as "Equitix".

(19) Hawke's Point, a mining finance company that is part of TFG Asset Management, referred to in this report as "Hawke's Point".

(20) Tetragon Credit Income Partners, referred to in this report as "TCIP".

(21) Please see Note 9.

(22) Please see Note 15.

Key Metrics

(23) TFG's Key Metrics were modified, effective from Q3 2015, to incorporate the value that is being created in TFG Asset Management on a consistent Fair Value basis using valuations provided by an independent valuation specialist reporting to the Audit Committee. The resulting Fair Value metrics are described in this section and further detail on the drivers for each of the Fair Value metrics is discussed in the following sections of the report.

(24) Please see note (1)(ii).

(25) Please refer to Financial Highlights on page 28 of this report for the definition of Fair Value Net Income.

(26) Please refer to Financial Highlights on page 28 of this report for the definition of Fair Value EPS.

(27) In Q1 2015, there were strong contributions from Other Equities, U.S. CLO 1.0 transactions and Real Estate. Please refer to the Q1 2015 report for more details.

H1 2016 in Review

(28) Based on the most recent trustee reports available as of 30 June 2016.

(29) Based on the most recent trustee reports available as of 30 June 2016.

(30) Based on the most recent trustee reports available as of 30 June 2016.

TFG Asset Management

(31) Please see Note 20.

(32) Please see Note 15.

(33) Please see Note 15.

(34) Please see Note 15.

(35) (i) 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 and net performance is for the Polygon Convertible Opportunity Master Fund as calculated by the applicable fund administrator.

(ii) 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 and net performance is for the Polygon European Equity Opportunity Master Fund and associated managed account as calculated by the applicable fund administrators.

(iii) The fund began trading with Class B1 shares, which carry no incentive fees, on 1 June 2012. Returns 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, performance reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. AUM figure and net performance is for the Polygon Mining Opportunity Master Fund as calculated by the applicable fund administrator.

(iv) The fund began trading on 2 September 2013. Class A shares of the fund were first issued in September 2013 and returns from inception through September 2014 have been 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). AUM figure and net performance is for the Polygon Distressed Opportunities Master Fund as calculated by the applicable fund administrator.

(v) The fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown from inception through August 2013 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. The fund began trading Class A shares, which are not new issue eligible, on 23 September 2011. Class A1 shares of the fund, which are new issue eligible, were first issued on 1 November 2013, and returns from inception through October 2013 have been *pro forma* adjusted to match the fund's Class A1 performance. AUM figure and net performance is for the Polygon Global Equities Master Fund as calculated by the applicable fund administrator.

(vi) The Private Equity Vehicle noted is the Polygon Recovery Fund L.P. ("PRF"). The manager of the PRF is a subsidiary of TFG. 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 the expiration of its term. PRF's term was extended to March 2018 with a potential further one year extension thereafter. 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. The AUM figure for PRF is as calculated by the applicable fund administrator.

(36) The Polygon Convertible Opportunity 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). From April 2010, forward, the reported returns reflect actual Class A share performance on the terms set forth in the Offering Memorandum. The return figures shown are final values as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the fund net of management and performance fees, as well as any commissions and direct expenses incurred by the fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. 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. Any indices and other financial benchmarks are provided for illustrative purposes only. Comparisons to indices have limitations because, for example, indices have volatility and other material characteristics that may differ from the fund. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX RV: FI-Convertible Arbitrage Index (Bloomberg Code: HFRXCA) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

(37) The Polygon European Equity Opportunity 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, reported performance 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. The return figures shown are final values as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the Fund reflects the actual net performance of the fund net of management and performance fees, as well as any commissions and direct expenses incurred by the fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. 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. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX ED: Event Driven Index (Bloomberg Code: HFRXED) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

(38) The Polygon Mining Opportunity Fund began trading with Class B1 shares, which carry no incentive fees, on 1 June 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, reported performance reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. The return figures shown are final values as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the fund reflects the actual net performance of the fund net of management and performance fees, as well as any commissions and direct expenses incurred by the fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. 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. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX Global Hedge Fund Index (Bloomberg Code: HFRXGL) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com. The Market Vectors Junior Gold Miners Index (Bloomberg Code: GDXJ) is compiled by Market Vectors Index Solutions, a subsidiary of Van Eck. Further information relating to index constituents and calculation methodology can be found at www.marketvectorsindices.com.

(39) The Polygon Distressed Opportunities Fund began trading on 2 September 2013. Returns shown are for offshore 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) as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the fund reflects the actual net performance of the fund net of management and performance fees, as well as any commissions and direct expenses incurred by the fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. 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. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRX DS: Distressed Restructuring Index (Bloomberg Code: HFRXDS) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

(40) The Polygon Global Equities Fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown from inception through August 2013 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. The fund began trading Class A shares, which are not new issue eligible, on 23 September 2011. Class A1 shares of the Fund, which are new issue eligible, were first issued on 1 November 2013, and returns from inception through October 2013 have been *pro forma* adjusted to match the fund's Class A1 performance. AUM figure and net performance is as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the fund reflects the actual net performance of the fund net of management and performance fees, as well as any commissions and direct expenses incurred by the fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. 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.

(41) The Private Equity Vehicle noted is the Polygon Recovery Fund L.P. ("PRF"). The manager of the PRF is a subsidiary of TFG. 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 the expiration of its term. PRF's term was extended to March 2018 with a potential further one year extension thereafter. 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 and net performance is for PRF as calculated by the applicable fund administrator. All performance numbers provided herein with respect to the fund reflects the actual net performance of the fund net of management and performance fees, as well as any commissions and direct expenses incurred by the fund, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index.

(42) For additional information on the Company's CLO equity investments, including its buy and hold strategy, please refer to http://www.tetragoninv.com/portfolio/clo-equity.

Appendices

(43) Additional CLO Portfolio Statistics are not included this report, but may be reported from time to time in the future.

Appendix III

(44) TFM has determined that it will continue to grow TFG Asset Management, as TFG's diversified alternative asset management business, with a view to a planned initial public offering and listing of shares of TFG Asset Management in the next three to five years (referred to as the "IPO Strategy").

Appendix V

(45) (i) The Total Escrow Shares of 12.7 million consists of 6.8 million shares which have been used as consideration for the acquisition of Polygon and applicable stock dividends relating thereto, as well as 5.9 million shares held in a separate escrow account in relation to equity-based compensation.

(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. At the reporting date, this was 0.0 million shares. 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.

(iii) The number of shares corresponding to the applicable intrinsic value of the remaining unexercised options issued to the GreenOak Founders in relation to the acquisition of a 10% stake in GreenOak in September 2010. At the reporting date, this was 0.9 million. The intrinsic value of the GreenOak 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) $5.50 (being the exercise price per share) times (z) 1,954,120 (being a number of shares subject to the options.

(iv) Certain Escrow Shares (6.8 million), 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 two years.

(v) Dilution in relation to equity-based awards by TFG Asset Management for certain senior employees. . At the reporting date, this was 0.4 million. The basis and pace of recognition is expected to match the rate at which service is being provided to TFG Asset Management in relation to these shares. See Appendix VII for more details.

(46) Equity-based awards are intended to give certain senior employees of TFG Asset Management long-term exposure to TFG stock (with vesting subject to forfeiture and certain restrictions). See Appendix VII for further details.

Appendix VI

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

UNAUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 JUNE 2016

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED FINANCIAL STATEMENTS
For the period ended 30 June 2016

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
As at 30 June 2016 (unaudited)

	Note	30 Jun 2016 US$ MM	31 Dec 2015 US$ MM
Assets			
Investment in the Master Fund*	3	1,803.3	1,877.4
Total assets		1,803.3	1,877.4
Liabilities			
Accrued incentive fee	6	2.5	4.7
Total liabilities		2.5	4.7
Net assets		1,800.8	1,872.7
Equity			
Share capital	7, 8	0.1	0.1
Share premium	8	836.8	921.9
Capital reserve in respect of share options	5, 8	19.9	28.1
Share-based employee compensation reserve	4	31.1	19.6
Retained earnings	8	912.9	903.0
		1,800.8	1,872.7
Shares outstanding		**Millions**	**Millions**
Shares	7	87.5	95.9
Net Asset Value per share		US$ 20.59	US$ 19.54

*Tetragon Financial Group Master Fund Limited

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 27 July 2016

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS
For the period ended 30 June 2016 (unaudited)

	Note	Period ended 30 Jun 2016 US$ MM	Period ended 30 Jun 2015 US$ MM
Investment income allocated from the Master Fund			
Interest income		55.5	61.6
Fee income		27.5	30.7
Other income – cost recovery		8.3	9.9
Insurance recovery		-	9.8
Dividend income		2.2	0.1
Total investment income allocated from the Master Fund		93.5	112.1
Direct expenses			
Incentive fee	6	(7.1)	(26.2)
Total direct expenses		(7.1)	(26.2)
Operating expenses allocated from the Master Fund			
Employee costs		(26.1)	(24.6)
Management fees	11	(14.1)	(14.0)
Share-based employee compensation	4, 8	(11.5)	(11.5)
Legal and professional fees		(3.6)	(3.6)
Amortization of intangible assets		(1.7)	(3.4)
Audit fees		(0.2)	(0.2)
Other operating and administrative expenses		(10.6)	(10.4)
Interest expense		(0.3)	-
Total operating expenses allocated from the Master Fund		(68.1)	(67.7)
Total operating expenses		(75.2)	(93.9)
Net investment income		18.3	18.2
Net decrease in unrealized depreciation on:			
Share options	5	-	(2.8)
Net decrease in unrealized depreciation arising from direct operations		-	(2.8)
Net realized and unrealized (loss) / gain from investments and foreign currency allocated from the Master Fund			
Net realized (loss) / gain from:			
Investments		(29.3)	41.3
Derivative financial instruments		3.1	3.6
Foreign currency transactions		3.3	12.1
		(22.9)	57.0

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2016 (unaudited)

	Note	Period ended 30 Jun 2016 US$ MM	Period ended 30 Jun 2015 US$ MM
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		52.6	40.4
Derivative financial instruments		4.7	(13.5)
Translation of assets and liabilities in foreign currencies		(11.3)	2.7
		46.0	29.6
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		23.1	86.6
Net increase from operations before tax		41.4	102.0
Income and deferred tax expense allocated from the Master Fund		0.3	(6.3)
Net income		41.7	95.7
Earnings per Share			
Basic	10	US$ 0.44	US$ 0.99
Diluted	10	US$ 0.40	US$ 0.89
Weighted average Shares outstanding		**Millions**	**Millions**
Basic	10	95.8	96.3
Diluted	10	103.8	107.2

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2016 (unaudited)

	Note	Period ended 30 Jun 2016 US$ MM	Period ended 30 Jun 2015 US$ MM
From operations:			
Total investment income		93.5	102.3
Total operating expenses		(75.2)	(84.1)
Net unrealized depreciation on share options		-	(2.8)
Net realized (loss) / gain from investments and foreign currency allocated from the Master Fund		(22.9)	57.0
Net unrealized gain from investments and foreign currency allocated from the Master Fund		46.0	29.6
Income and deferred tax		0.3	(6.3)
Net income		41.7	95.7
Share-based employee compensation	4, 8	11.5	11.5
Net increase in net assets resulting from operations		53.2	107.2
Dividends paid to shareholders		(24.4)	(24.8)
Issue of Shares	7	0.1	0.1
Purchase of Treasury Shares	7	(100.7)	-
Increase in net assets resulting from net share transactions		(100.6)	(24.7)
Total increase in net assets		(71.9)	82.5
Net assets at start of period		1,872.7	1,818.5
Net assets at end of period		1,800.8	1,901.0

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS
For the period ended 30 June 2016 (unaudited)

	Period ended 30 Jun 2016 US$ MM	Period ended 30 Jun 2015 US$ MM
Operating activities		
Net income	41.7	95.7
Adjustments for:		
Net unrealized depreciation on share options	-	2.8
Share-based employee compensation expense	11.5	11.5
Net unrealized appreciation / (depreciation) on investment in the Master Fund	74.0	(86.9)
Operating cash flows before movements in working capital	127.2	23.1
(Decrease) / increase in payables	(2.2)	1.6
Net cash provided by operating activities	125.0	24.7
Financing activities		
Issue of Shares	0.1	0.1
Purchase of Treasury Shares	(100.7)	-
Dividends paid to shareholders*	(24.4)	(24.8)
Net cash used in financing activities	(125.0)	(24.7)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period**	-	-

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

*The gross dividend payable to shareholders was US$ 32.0 million (30 June 2015: US$ 30.3 million) with value equivalent to US$ 7.6 million (30 June 2015: US$ 5.5 million) being taken by the dividend recipient in shares rather than cash.

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

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS

For the period ended 30 June 2016 (unaudited) and the year ended 31 December 2015 (audited)

The following represents selected per Share operating performance of the Company, ratios to average net assets and total return information for the period ended 30 June 2016 and the year ended 31 December 2015.

	30 Jun 2016*	31 Dec 2015
	US$	US$
Per Share operating performance		
Net Asset Value at the start of the period / year	19.54	18.96
Net investment income (before incentive fee)	0.27	0.91
Incentive fee	(0.07)	(0.37)
Net realized and unrealized gain from investments and foreign currencies	0.24	0.87
Share-based employee compensation	0.12	0.23
Dividends paid to shareholders	(0.26)	(0.52)
Income and deferred tax expense	-	(0.10)
Other capital transactions	0.75	(0.44)
Net Asset Value at the end of the period / year	20.59	19.54
Pro Forma Fully Diluted NAV per Share	**Millions**	**Millions**
Shares outstanding	87.5	95.9
Share-based employee compensation – TFG AM acquisition	6.8	6.6
Share options	0.9	1.7
Share-based employee compensation – equity-based awards	0.4	-
Pro Forma Fully Diluted Shares	95.6	104.2
Pro Forma Fully Diluted Net Asset Value per Share	US$ 18.85	US$ 17.97
Total return (NAV change before dividend payments and other capital transactions) before incentive fee	3.22%	10.07%
Incentive fee	(0.36%)	(1.95%)
Total return (NAV change before dividend payments and other capital transactions) after incentive fee	2.87%	8.12%
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	(3.03%)	(6.46%)
Total operating expenses	(3.03%)	(6.46%)
Incentive fee	(0.38%)	(1.89%)
Net investment income	0.97%	2.78%

*The ratios and returns have not been annualized

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

Note 1 General Information

Tetragon Financial Group Limited (the "Company") was registered in Guernsey on 23 June 2005 as a company limited by shares with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Company continues to be registered and domiciled in Guernsey and the Company's non-voting shares are listed on Euronext Amsterdam N.V (ticker symbol: TFG.NA) and on the Specialist Fund Segment of the London Stock Exchange plc ("SFS") (ticker symbol: TFG.LN). The Company acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund").

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

As at 30 June 2016, TFG Asset Management consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon"), LCM Asset Management LLC ("LCM"), Equitix Holdings Limited ("Equitix"), Hawke's Point and the GreenOak Real Estate, LP ("GreenOak") joint venture and Tetragon Credit Income Partners ("TCIP").

TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act 1940 (the "Advisers Act") and one of its investment management entities, Polygon Global Partners LLP, is authorized and regulated by the United Kingdom Financial Conduct Authority. The registered office of the Company is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

Note 2 Significant Accounting Policies

Basis of Presentation

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

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

The Company's Statements of Operations includes its allocated share of each type of gain, loss, income and expense of the Master Fund's Statements of Operations. Attached are the unaudited consolidated financial statements of the Master Fund, which are an integral part of these financial statements. As at 30 June 2016, the Company had 100% (31 December 2015: 100%) economic ownership interest in the Master Fund. As the Company's only asset is 100% of the non-voting shares of the Master Fund and the unaudited consolidated financial statements of the Master Fund are attached, a separate Schedule of Investments for the Company has not been included.

Note 2 Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

The accounting policies have been consistently applied by the Company during the period ended 30 June 2016 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars.

Use of Estimates

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

Valuation of Investments

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

Expenses

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

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 1,200 per annum (31 December 2015: GBP 1,200).

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Company recognizes the effect of income tax positions only if it is more likely than not that those positions will be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized.

Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 30 June 2016 (30 June 2015: Nil).

Note 2 Significant Accounting Policies (continued)

Share Options

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

The fair value of options issued to certain founding partners of GreenOak are also recognized through a capital reserve in respect of share options. Previously, because of contingent elements, other than those linked to market price, the fair value of such option was recognized as a liability in the Statements of Assets and Liabilities. More details are included in Note 5.

As and when the share options are exercised the share capital and share premium accounts are increased by the applicable capital reserve.

Dividend Expense

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

Share-Based Payments

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

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

Note 2 Significant Accounting Policies (continued)

Treasury Shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased Shares may be classified as Treasury Shares from an accounting perspective and are presented as a deduction from total equity. When Treasury Shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings. Shares may also be transferred out of the Treasury Account and into TFG Holdings I, an entity established through a joint arrangement with the Master Fund.

Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

Note 3 Investment in the Master Fund

At the end of the period, the Master Fund held investments at fair value, management contracts, cash and cash equivalents, derivatives and other receivables and payables.

As at 30 June 2016, the Company had an investment of US$ 1,803.3 million in the Master Fund (31 December 2015: US$ 1,877.4 million).

Note 4 Share-Based Payments

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

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

In Q1 2016, the Company implemented some equity-based compensation plans for certain senior employees of TFG Asset Management L.P.. In aggregate these awards are spread out over multiple vesting dates, up to and including 2024, although they may vary for each employee and are also subject to forfeiture provisions. The arrangements may also include additional periods, beyond the vesting dates, during which employees gain exposure to the performance of the Company's Shares, but the Shares are not issued to the employees. Such periods may range from one to five years beyond the vesting dates. The Shares underlying these equity-based incentive programs typically will be held in escrow until they vest and will be eligible to receive Shares under the Company's Optional Stock Dividend Plan (see Note 7).

Note 4 Share-Based Payments (continued)

These equity based awards will only be settled through Shares and the Company has elected to account for these plans under ASC 718 (Equity-based payments to employees). It is applying the straight-line method for expense recognition and for calculating the share dilution effect. This means that the total expense of the initial awards is determined at the award date, or at the date that the award becomes eligible to be settled only in Shares ("Award Date"), by applying a reference share price on the Award Date to the shares awarded. Taking into account all equity-based awards granted to TFG Asset Management employees approximately 5.1 million shares were awarded at a weighted average reference share price of US$ 8.76 per share, implying a total equity-based compensation plan charge of approximately US$ 45.0 million spread over a period of up to eight years, excluding employer-related taxes. The Company has a share-based compensation reserve and recognizes the expense indirectly as allocated from the Master Fund.

For the purposes of Earnings per Share calculations, the dilutive effect of the equity-based compensation plans will be reflected increasingly in the Company's diluted share count over the life of the plans. Such dilution will include, among other things and in addition to the award shares, stock dividend Shares and also Shares that will be required to cover employer taxes. At the end of Q2 2016, approximately 0.4 million shares were included in the fully diluted share count for Earnings per Share.

In aggregate the share-based compensation charge for the period ended 30 June 2016 amounted to US$ 11.5 million (30 June 2015: US$ 11.5 million).

Note 5 Share Options Issued to GreenOak Founders

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

Under the terms of the transaction, the Company granted to the GreenOak founding partners ("Founders") options to purchase 3.9 million Shares (vesting after 5 years and subject to further conditions) at a strike price of US$ 5.50. The aggregate fair value of the options granted at the transaction date was US$ 0.5 million.

On 15 September 2015 the options vested, and as a result of vesting, all contingent elements to the options, other than market price, were removed. Under ASC 815, once the vesting conditions were met, the options were reclassified to equity. The accounting result of this is that a liability of US$ 16.3 million was reclassified to the capital reserve in respect of share options. US$ 16.3 million was the deemed fair value of the options at the time of vesting and was determined by using a Black-Scholes model (31 December 2015: US$ 16.3 million). This is reflected in Note 8.

In January 2016, the first tranche of options was exercised and these were net shares settled through the issuance of 0.8 million Shares which were issued from the Treasury account. Correspondingly a value of US$ 8.1 million was debited against the Capital Reserve in Respect of Share Options and credited to Share capital and Share Premium.

The options are split approximately as follows: 50% were exercised in January 2016; 25% are exercisable from 1 January 2017, expiring a year later; 25% are exercisable from 1 January 2018, expiring a year later.

Note 6 Incentive Fee

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

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

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

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

The incentive fee for the period ended 30 June 2016 was US$ 7.1 million (30 June 2015: US$ 26.2 million). As at 30 June 2016, US$ 2.5 million, was outstanding (31 December 2015: US$ 4.7 million).

Note 7 Share Capital

Authorized

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

Voting Shares

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

Note 7 Share Capital (continued)

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

Shares

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

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

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

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
Shares in issue at 31 December 2014	10	95.9	0.1
Issued in lieu of stock dividend	-	1.2	-
Issued through release of tranche of Escrow Shares	-	4.7	-
Shares purchased during the year	-	(6.0)	-
Shares in issue at 31 December 2015	10	95.9	0.1
Issued in lieu of stock dividend	-	0.8	-
Issued through exercise of options	-	0.8	-
Shares purchased during the period	-	(10.0)	-
Shares in issue at 30 June 2016	10	87.5	0.1

Optional Stock Dividend

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

During the period a total dividend of US$ 32.0 million (30 June 2015 US$ 30.3 million) was declared, of which US$ 24.4 million was paid out as a cash dividend (30 June 2015: US$ 24.8 million), and the remaining US$ 7.6 million (30 June 2015: US$ 5.5 million) was reinvested under the Optional Stock Dividend Plan.

Note 7 Share Capital (continued)

Treasury Shares and Share Repurchases

The Company has entered into a joint arrangement with the Master Fund through the establishment of TFG Holdings I. The Company may transfer, and has transferred, Shares previously held in a Treasury Account to TFG Holdings I. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

Certain repurchased shares are held in a Treasury Account or in TFG Holdings I, allowing them to potentially be resold back to the Company if it resells its own Shares back into the market at a later date. Whilst they are held by the Company (whether directly or via TFG Holdings I), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

On 10 May 2016, the Company and the Master Fund announced that under the terms of a "modified Dutch auction" tender offer (the "Tender Offer") it had accepted for purchase approximately 10.0 million non-voting shares of the Company at a purchase price of US$ 10.00 per share and an aggregate cost of US$ 100.7 million, including applicable fees and expenses. The repurchased Shares were exchanged with the Company for the identical amount of Master Fund Shares. The repurchased shares were transferred to TFG Holdings I.

As at 30 June 2016, 27.0 million Shares are held in TFG Holdings I (31 December 2015: 17.0 million) and 12.0 million Shares in the Treasury Account (31 December 2015: 12.8 million), with an aggregate attributed cost of US$ 358.3 million (31 December 2015: US$ 264.6 million).

Escrow Shares

As part of the Acquisition to acquire TFG Asset Management, the Aggregate Consideration of 11.7 million Shares was moved to an escrow account where they were to be held before being released in conjunction with the agreed vesting schedule, subject to certain forfeiture conditions. During the period, 0.2 million Shares were added to the account due to stock dividends, resulting in 6.8 million Shares in the account as at 30 June 2016 (31 December 2015: 6.6 million). These Shares, which remain eligible for stock dividends, are expected to be released in 2016 and 2017, subject to the conditions described above.

A second escrow account was opened during 2015 to hold Shares which will form part of an equity-based awards program for certain employees of TFG Asset Management. These shares are eligible to participate in the stock dividend and during the period, 0.2 million shares were allocated to this account, resulting in a total 5.9 million shares as at 30 June 2016.

Note 7 Share Capital (continued)

Other Share Transactions

	Treasury Shares Shares No. MM	Shares held in TFG Holdings I Shares No. MM	Escrow shares – TFG AM acquisition Shares No. MM	Escrow Shares – Equity-based awards Shares No. MM
Shares brought forward at 31 December 2014	12.8	16.6	10.7	-
Shares purchased during the year	-	0.4	-	5.7
Stock Dividend	-	-	0.6	-
Vested and released	-	-	(4.7)	-
Shares at 31 December 2015	12.8	17.0	6.6	5.7
Shares purchased during the period	-	10.0	-	-
Stock Dividend	-	-	0.2	0.2
Settlement of options exercised	(0.8)	-	-	-
Shares at 30 June 2016	12.0	27.0	6.8	5.9

Note 8 Equity and Reserve Movements

	Share Capital US$ MM	Share Premium US$ MM	Capital reserve in respect of Share Options US$ MM	Share-Based Employee Compensation US$ MM	Retained Earnings US$ MM	Total Equity US$ MM
Balance at 31 December 2015	**0.1**	**921.9**	**28.1**	**19.6**	**903.0**	**1,872.7**
Net income	-	-	-	-	41.7	41.7
Shares purchased	-	(100.7)	-	-	-	(100.7)
Cash dividends	-	-	-	-	(24.4)	(24.4)
Stock dividends		7.6	-	-	(7.6)	-
Shares issued in lieu of Directors fee	-	0.1	-	-	-	0.1
Settlement of options exercised	-	8.1	(8.1)	-	-	-
Share-based employee compensation	-	-	-	11.5	-	11.5
Balance at 30 June 2016	**0.1**	**836.8**	**19.9**	**31.1**	**912.9**	**1,800.8**

Note 8 Equity and Reserve Movements (continued)

	Share Capital US$ MM	Share Premium US$ MM	Capital reserve in respect of Share Options US$ MM	Share-Based Employee Compensation US$ MM	Retained Earnings US$ MM	Total Equity US$ MM
Balance at 31 December 2014	**0.1**	**929.4**	**11.8**	**31.4**	**845.8**	**1,818.5**
Net income	-	-	-	-	127.3	127.3
Shares purchased	-	(60.9)	-	-	-	(60.9)
Cash dividends	-	-	-	-	(50.5)	(50.5)
Stock dividends	-	12.0	-	-	(12.0)	-
Shares released from Escrow	-	33.8	-	(33.8)	-	-
Dividends on Shares released from Escrow	-	7.5	-	-	(7.5)	-
Share-based employee compensation	-	-	-	22.0	-	22.0
Reclassification of share options from liability to reserves	-	-	16.3	-	-	16.3
Balance at 31 December 2015	**0.1**	**921.9**	**28.1**	**19.6**	**903.0**	**1,872.7**

Note 9 Dividends

	30 Jun 2016 US$ MM	30 Jun 2015 US$ MM
Quarter ended 31 December 2014 of US$ 0.1575 per share	-	15.1
Quarter ended 31 March 2015 of US$ 0.1575 per share	-	15.2
Quarter ended 31 December 2015 of US$ 0.165 per share	15.9	-
Quarter ended 31 March 2016 of US$ 0.165 per share	16.1	-
	32.0	30.3

The second quarter dividend of US$ 0.1675 per share was approved by the Directors on 27 July 2016.

Note 10 Earnings per Share

	Period ended 30 Jun 2016 No. MM	Period ended 30 Jun 2015 No. MM
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the period	41.7	95.7
Weighted average number of Shares for the purposes of basic earnings per share	95.8	96.3
Effect of dilutive potential Shares:		
Share-based employee compensation – TFG AM acquisition	6.8	10.7
Share options	0.9	0.1
Share-based employee compensation – equity-based awards	0.4	-
Weighted average number of Shares for the purposes of diluted earnings per share	103.8	107.2

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

In respect of share-based employee compensation – TFG AM acquisition, it is assumed that all of the Shares currently held in escrow will be released, thereby increasing the weighted average number of Shares. This includes Shares which are scheduled to vest and be released between 2016 and 2017. In respect of share-based employee compensation – equity based awards, the dilution is calculated to recognise the dilutive effect of the Shares on a straight-line basis, as and when they are earned. Such dilution will include, among other things and in addition to the award shares, stock dividend Shares and also Shares that will be required to cover employer taxes.

In respect of share options, the intrinsic value of the Shares issued to the Investment Manager in connection with the global offering in 2007 (see Note 11) is calculated using the Company's quoted Share price on the last business day prior to the period end. This is then converted into a number of Shares by dividing the aforementioned intrinsic value by the aforementioned quoted Share price. This will yield the number of Shares to include in the dilution calculation.

In respect of share options issued to GreenOak, (see Note 5) a similar intrinsic value calculation is used to determine the number of Shares to include in the dilution calculation.

Note 11 Related Party Transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company payable monthly in advance prior to the deduction of any accrued incentive fee. All fees and expenses of the Company, including the Management and Administration fees, but excluding incentive fees from the Investment

Note 11 Related Party Transactions (continued)

Manager, are paid by the Master Fund and allocated fully to the Company. An incentive fee may be paid to the Investment Manager as disclosed in Note 6.

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

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

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

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 100,000 as compensation for service on the Boards of Directors of both the Company and the Master Fund. The Directors have the option to elect to receive Shares in the Company instead of the quarterly fee. With respect to the period ending 30 June 2016, Frederic Hervouet elected to receive Shares and he received 2,893 shares in relation to the fourth quarter 2015 fee, and such Shares were issued in the first quarter of 2016. Frederic also received 2,538 Shares in relation to the fee for the first quarter of 2016. The number of Shares issued instead of the fee for the second quarter 2016 will be determined as part of the second quarter 2016 dividend process. The Master Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Company all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

Effective 14 June 2016, Mr. William P. Rogers has been appointed as an Independent Director of the Company and the Master Fund and will also serve on the Audit Committees of both entities. He replaces Mr. Byron Knief who stepped down as Independent Director on the same date.

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

Paddy Dear, Reade Griffith, Rupert Dorey and Frederic Hervouet - all Directors of the Company and the Master Fund – maintained (directly or indirectly) interests in Shares of the Company as at 30 June 2016, with interests of 1,859,041,

Note 11 Related Party Transactions (continued)

5,848,847, 115,951 and 15,978 Shares respectively (31 December 2015: 1,401,647, 3,752,486, 102,717 and 10,133 Shares respectively). Messrs. Griffith and Dear also have a (direct or indirect) interest in the Escrow Shares (as defined below).

As described in Note 5, TFG Asset Management L.P., including Polygon's asset management businesses and infrastructure platform, and interests in LCM and GreenOak, was acquired on 28 October 2012. The Shares issued in consideration are subject to vesting and forfeiture conditions and are held in escrow for release over the period 2013 to 2017. These escrow Shares are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further Shares were added to the relevant escrow accounts. As part of the Acquisition, Messrs. Griffith and Dear, as founders of Polygon, were awarded consideration in Shares, one third of which vested in 2015, and the remainder of which will vest in 2016 and 2017.

In particular, Messrs, Griffith and Dear were initially allocated 5,539,954 and 1,955,291 Shares, respectively, and these are held in escrow pending release between 2015 and 2017. As at 30 June 2016, 4,604,083 Shares were held in escrow on behalf of Mr. Griffith (31 December 2015: 4,443,375 Shares) and 1,624,968 on behalf of Mr. Dear (31 December 2015: 1,568,250 Shares).

It was also contractually agreed at the time of the Acquisition that Messrs. Griffith and Dear would be entitled to total annual compensation in respect of their executive role with the Company and its subsidiaries totaling not more than US$ 100,000 each. During the period ended 30 June 2016, total compensation paid to them each in this capacity by the Master Fund was US$ 50,000 (30 June 2015: US$ 50,000).

Note 12 Subsequent Events

The Directors have evaluated the period up to 27 July 2016, which is the date the financial statements were approved, and have concluded that there are no material events that require disclosure or adjustment to the financial statements.

Note 13 Recent changes to U.S. GAAP

Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825)

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments (Topic 825) — Recognition and Measurement of Financial Assets and Financial Liabilities." ASU No. 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU No. 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted. The Company is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Note 13 Recent changes to U.S. GAAP (continued)

Improvements to Employee Share-Based Payment Accounting (ASC 718)

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718) — Improvements to Employee Share-Based Payment Accounting." ASU No. 2016-09 includes provisions to simplify certain aspects related to the accounting for share-based awards and the related financial statement presentation. This ASU includes a requirement that the tax effect related to the settlement of share-based awards be recorded in income tax benefit or expense in the Statements of Operations. This change is required to be adopted prospectively in the period of adoption. In addition, the ASU modifies the classification of certain share-based payment activities within the Statements of Cash Flows and these changes are required to be applied retrospectively to all periods presented, or in certain cases prospectively, beginning in the period of adoption. ASU No. 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The Company is evaluating the effect of this guidance on its financial statements.

Note 14 Approval of Financial Statements

The Directors approved the financial statements on 27 July 2016.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 JUNE 2016

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2016

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 30 June 2016 (unaudited)

	Note	30 Jun 2016 US$ MM	31 Dec 2015 US$ MM
Assets			
Investments, at fair value (Cost US$ 1,884.0 million, 31 Dec 2015: US$ 2,070.0 million)	3	1,310.7	1,364.7
Management contracts	6	21.7	23.4
Cash and cash equivalents	8	412.2	440.4
Amounts due from brokers	9	55.8	59.9
Derivative financial assets	3, 4	28.3	19.4
Fixed assets	2	0.4	0.5
Deferred tax asset	16	10.1	9.2
Other receivables	10	14.4	21.5
Total assets		1,853.6	1,939.0
Liabilities			
Derivative financial liabilities	3, 4	3.7	0.7
Other payables and accrued expenses	11	37.0	48.5
Income tax payable	16	3.8	5.8
Deferred tax liability	16	5.8	6.6
Total liabilities		50.3	61.6
Net assets		1,803.3	1,877.4
Equity			
Share capital	13, 14	0.1	0.1
Share premium	14	787.9	881.1
Capital contribution	14, 21	31.1	19.6
Retained Earnings	14	984.2	976.6
		1,803.3	1,877.4
Shares outstanding		**Millions**	**Millions**
Shares	13	87.5	95.9
Net Asset Value per share		US$ 20.62	US$ 19.58

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

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 27 July 2016

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the period ended 30 June 2016 (unaudited)

	Note	Period ended 30 Jun 2016 US$ MM	Period ended 30 Jun 2015 US$ MM
Interest income	17	55.5	61.6
Fee income	18	27.5	30.7
Other income – cost recovery	19	8.3	9.9
Insurance recovery		-	9.8
Dividend income		2.2	0.1
Investment income		93.5	112.1
Employee costs		(26.1)	(24.6)
Management fees	23	(14.1)	(14.0)
Share-based employee compensation	21	(11.5)	(11.5)
Legal and professional fees		(3.6)	(3.6)
Amortization on intangible assets	6	(1.7)	(3.4)
Audit fees		(0.2)	(0.2)
Other operating and administrative expenses	20	(10.6)	(10.4)
Interest expense		(0.3)	-
Operating expenses		(68.1)	(67.7)
Net investment income		25.4	44.4
Net realized and unrealized gain / (loss) from investments and foreign currency			
Net realized (loss) / gain from:			
Investments		(29.3)	41.3
Derivative financial instruments		3.1	3.6
Foreign currency transactions		3.3	12.1
		(22.9)	57.0
Net increase in unrealized appreciation / (depreciation) on:			
Investments		52.6	40.4
Derivative financial instruments		4.7	(13.5)
Translation of assets and liabilities in foreign currencies		(11.3)	2.7
		46.0	29.6
Net realized and unrealized gain from investments and foreign currency		23.1	86.6
Net increase from operations before tax		48.5	131.0
Income and deferred tax expense	16	0.3	(6.3)
Net income		48.8	124.7

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2016 (unaudited)

	Note	Period ended 30 Jun 2016 US$ MM	Period ended 30 Jun 2015 US$ MM
From operations:			
Net investment income		25.4	44.4
Net realized (loss) / gain from investments and foreign currency		(22.9)	57.0
Net increase in unrealized appreciation on investments and translation of assets and liabilities in foreign currencies		46.0	29.6
Income and deferred tax	16	0.3	(6.3)
Net income after tax		48.8	124.7
Share-based employee compensation	21	11.5	11.5
Net increase in net assets resulting from operations		60.3	136.2
Dividends paid to Feeder in lieu of incentive fee liability	15	(9.3)	(24.5)
Dividends paid to shareholders	15	(24.4)	(24.8)
Total distributions		(33.7)	(49.2)
Issue of Shares		0.1	0.1
Repurchase of Shares	13	(100.7)	-
Decrease in net assets resulting from capital transactions		(100.6)	0.1
Total (decrease) / increase in net assets		(74.0)	87.0
Net assets at start of period		1,877.4	1,834.9
Net assets at end of period		1,803.3	1,921.9

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period ended 30 June 2016 (unaudited)

	Period ended 30 Jun 2016 US$ MM	Period ended 30 Jun 2015 US$ MM
Operating activities		
Net income	48.8	124.7
Adjustments for:		
Realized loss / (gains) on investments and derivatives	31.4	(33.6)
Cash received on investments in excess of interest income	93.3	95.9
Amortization of intangible assets	1.7	3.4
Share-based employee compensation	11.5	11.5
Unrealized losses	(46.0)	(29.6)
Deferred tax	(1.8)	0.6
Operating cash flows before movements in working capital	138.9	172.9
Decrease in receivables	7.1	13.4
Decrease in payables	(11.3)	(8.8)
Income tax	(2.1)	-
Amounts due from brokers	4.1	(20.5)
Cash flows from operations	136.7	157.0
Purchase of fixed assets	-	(0.1)
Proceeds from sale / prepayment / maturity of investments	11.6	103.6
Net proceeds from derivative financial instruments	3.1	7.6
Purchase of investments	(45.0)	(242.9)
Net cash provided by operating activities	106.4	25.2
Financing activities		
Proceeds from issue of Shares	0.1	0.1
Repurchase of Shares	(100.7)	-
Dividends paid to shareholders*	(24.4)	(24.8)
Dividends paid to Feeder in lieu of incentive fee liability	(9.3)	(24.5)
Net cash used in financing activities	(134.3)	(49.2)
Net decrease in cash and cash equivalents	(27.9)	(24.0)
Cash and cash equivalents at beginning of period	440.4	402.0
Effect of exchange rate fluctuations on cash and cash equivalents	(0.3)	0.8
Cash and cash equivalents at end of period	412.2	378.8

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

* The gross dividend payable to shareholders was US$ 32.0 million (period ended June 2015: US$ 30.3 million) with a value equivalent to US$ 7.6 million (period ended June 2015: US$ 5.5 million) elected to be taken by the dividend recipient in Shares rather than cash.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
As at 30 June 2016 (unaudited)

Security Description	**Nominal MM**	**Cost US$ MM**	**Fair Value US$ MM**	**% of Net Assets**
United States CLO Equity				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1,063.3	966.1	446.9	24.78%
Middle Market Senior Secured Loans	133.2	123.9	24.9	1.38%
	1,196.5	1,090.0	471.8	26.16%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	63.3	77.1	16.0	0.89%
	63.3	77.1	16.0	0.89%
Luxembourg				
Broadly Syndicated Senior Secured Loans	24.0	25.4	7.3	0.40%
	24.0	25.4	7.3	0.40%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	15.0	0.83%
	24.0	31.8	15.0	0.83%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.09%
	1.8	1.1	1.7	0.09%
Loans				
United Kingdom Loan Notes*	79.5	119.7	123.8	6.86%
United Kingdom Mezzanine Loan*	8.0	10.7	10.6	0.60%
United States Broadly Syndicated Senior Secured Loans	7.3	6.3	6.4	0.35%
	94.8	136.7	140.8	7.81%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10.7	66.0	3.66%
Norway – Equity Investments		3.7	14.4	0.80%
United Kingdom – Infrastructure Asset Manager*		2.4	32.7	1.81%
United States – Equity Investments		20.2	21.5	1.19%
		37.0	134.6	7.46%
Investment Funds and Vehicles				
United States – Real Estate		53.9	56.4	3.13%
Japan – Real Estate		32.3	35.9	1.99%
Latin America – Real Estate		28.8	26.7	1.48%
Spain – Real Estate		20.8	22.1	1.23%
United Kingdom – Real Estate		28.8	23.9	1.33%
Global – Hedge Funds – Equities		60.9	68.3	3.79%
Polygon European Equity Opportunity Fund**		139.2	148.0	8.21%
Polygon Distressed Opportunities Fund***		95.0	95.3	5.28%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	46.9	2.60%
		494.8	523.5	29.03%
Total Investments		**1,884.0**	**1,310.7**	**72.67%**

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 30 June 2016 (unaudited)

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Forward Foreign Currency Exchange Contracts	16.5	0.92%
Credit default swaps	(0.4)	(0.02%)
Equity Total Return Swaps	8.4	0.47%
Total Financial Derivative Instruments	24.6	1.37%
Cash and Cash Equivalents	412.2	22.86%
Other Assets and Liabilities	55.8	3.10%
Net Assets	1,803.3	100.00%

* The securities held in Loan Notes, Mezzanine Loan and Infrastructure Asset Manager are the component parts of the Fund's investment in Equitix. See Note 7 for more details.

**The investment in the Polygon European Equity Opportunity Fund consists of 436,179 units in Class A, 252,169 units in Class B and 230,084 units in Class C as at 30 June 2016.

The stated objective of the Polygon European Equity Opportunity Fund is to seek superior risk adjusted returns. Its stated intention is to invest predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions. Given the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

*** The investment in the Polygon Distressed Opportunities Fund consists of 456,562 units in Class A, 311,764 units in Class B, and 151,069 units in Class C at 30 June 2016.

The stated objective of the Polygon Distressed Opportunities Fund is to seek superior risk adjusted returns. It states that to achieve this objective, it will invest primarily in investments (directly or indirectly) in securities, instruments and assets that are either distressed or acquired from holders in distressed situations. Given the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions) subject to the redemption occurring at least 12 months after the purchase of the shares or units to be redeemed. Accordingly, the entire investment could be liquidated over four consecutive quarters subject to the conditions above.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

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

Security Description	**Nominal MM**	**Cost US$ MM**	**Fair Value US$ MM**	**% of Net Assets**
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18.4	17.6	-	0.00%
Broadly Syndicated Senior Secured Loans	1,125.1	1,028.8	510.8	27.21%
CDOs Squared	17.3	16.6	-	0.00%
Middle Market Senior Secured Loans	133.2	123.9	29.8	1.59%
	1,294.0	1,186.9	540.6	28.80%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	20.3	1.08%
	100.4	121.5	20.3	1.08%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	23.3	1.24%
	71.1	84.3	23.3	1.24%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	14.9	0.79%
	24.0	31.8	14.9	0.79%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.09%
	1.8	1.1	1.7	0.09%
Loans				
United Kingdom Loan Notes*	79.5	119.7	130.1	6.93%
United Kingdom Mezzanine Loan*	7.7	10.7	11.4	0.61%
United States Broadly Syndicated Senior Secured Loans	3.4	3.4	3.0	0.16%
	90.6	133.8	144.5	7.70%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10.7	70.0	3.72%
Norway – Equity Investments		3.7	10.0	0.53%
United Kingdom - Infrastructure Asset Manager*		2.4	32.4	1.73%
United States – Equity Investments		20.2	21.5	1.15%
		37.0	133.9	7.13%
Investment Funds and Vehicles				
United States – Real Estate		43.7	47.4	2.52%
Japan – Real Estate		31.3	29.9	1.59%
Latin American – Real Estate		28.1	26.3	1.40%
Spain – Real Estate		12.8	12.5	0.67%
United Kingdom – Real Estate		27.6	25.6	1.37%
Global – Hedge Funds – Equities		60.9	64.0	3.41%
Polygon European Equity Opportunity Fund**		139.2	139.9	7.44%
Polygon Distressed Opportunities Fund***		95.0	95.1	5.07%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	44.8	2.39%
		473.6	485.5	25.86%
Total Investments		**2,070.0**	**1,364.7**	**72.69%**

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

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Forward Foreign Currency Exchange Contracts	10.1	0.54%
Credit default swaps	7.6	0.40%
Equity Total Return Swaps	1.0	0.05%
Total Financial Derivative Instruments	18.7	0.99%
Cash and Cash Equivalents	440.4	23.46%
Other Assets and Liabilities	53.6	2.86%
Net Assets	1,877.4	100.00%

*The securities held in Loan Notes, Mezzanine Loan and Infrastructure Asset Manager are the component parts of the Fund's investment in Equitix.

**The investment in the Polygon European Equity Opportunity Fund consists of 436,051 units in Class A, 252,169 units in Class B and 230,084 units in Class C as at 31 December 2015.

The stated objective of the Polygon European Equity Opportunity Fund is to seek superior risk adjusted returns. Its stated intention is to invest predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions. Given the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

*** The investment in the Polygon Distressed Opportunities Fund consists of 456,562 units in Class A, 311,764 units in Class B, and 151,069 units in Class C at 31 December 2015.

The stated objective of the Polygon Distressed Opportunities Fund is to seek superior risk adjusted returns. It states that to achieve this objective, it will invest primarily in investments (directly or indirectly) in securities, instruments and assets that are either distressed or acquired from holders in distressed situations. Given the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions) subject to the redemption occurring at least 12 months after the purchase of the shares or units to be redeemed. Accordingly, the entire investment could be liquidated over four consecutive quarters subject to the conditions above.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2016 (unaudited) and 31 December 2015 (audited)

The following represents selected per Share operating performance of the Fund, ratios to average net assets and total return information for the period ended 30 June 2016 and 31 December 2015.

	30 Jun 2016*	**31 Dec 2015**
	US$	**US$**
Per Share operating performance		
Net Asset Value at start of period	19.58	19.13
Net investment income	0.26	0.91
Net realized and unrealized gain from investments, derivatives and foreign currencies	0.24	0.92
Share-based employee compensation	0.12	0.23
Dividends paid to shareholders	(0.35)	(0.88)
Income and deferred tax expense	-	(0.10)
Other capital transactions	0.77	(0.63)
Net Asset Value at the end of the period	20.62	19.58
Pro Forma Fully Diluted NAV per Share		
	No. MM	**No. MM**
Shares outstanding	87.5	95.9
Share-based employee compensation – TFG AM acquisition	6.8	6.6
Share-based employee compensation – equity-based awards	0.4	-
Pro Forma Fully Diluted Shares	94.7	102.5
Pro Forma Fully Diluted Net Asset Value per Share	US$ 19.05	US$ 18.32
Return (NAV change before dividend payments and other capital transactions)	3.17%	10.25%
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(3.02%)	(6.41%)
Net investment income	1.35%	4.63%

*The ratios and returns have not been annualized.

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

Note 1 General Information

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

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

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

As at 30 June 2016, TFG Asset Management consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon"), LCM Asset Management LLC ("LCM"), Equitix Holdings Limited ("Equitix"), Hawke's Point, and GreenOak Real Estate LP, ("GreenOak") joint venture and Tetragon Credit Income Partners ("TCIP")

TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 (the "Advisers Act") and one of its investment management entities, Polygon Global Partners LLP, is authorized and regulated by the United Kingdom Financial Conduct Authority.

Note 2 Significant Accounting Policies

Basis of Presentation

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

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

The accounting policies have been consistently applied by the Fund during the period ended 30 June 2016 and are consistent with those used in the previous year.

The consolidated financial statements are presented in United States Dollars.

Use of Estimates

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

Foreign Currency Translation

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

Note 2 Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

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

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses are calculated on the identified historical cost basis. Interest income is recognized on an effective interest rate basis.

Financial Instruments

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

In the absence of an active market for the equity tranche investments in securitization vehicles, a mark to model approach has been adopted to determine their valuation. A third party valuation model that is used by the Investment Manager and the Administrator has been selected for this purpose.

The model contains characteristics of the securitization vehicle structure, including current assets and liabilities, based upon information derived by a specialist firm, from data sources such as the securitization vehicles' trustee reports. Key model inputs include projected defaults and recovery rates and reinvestment spreads for the relevant class of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator.

The model projects future cash flows which are discounted at the applicable rate in order to determine fair value. The model assumptions are reviewed on a regular basis and adjusted as appropriate to take into account any changes in observable data in relation to these inputs.

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

In accordance with ASC 325, the excess of the estimated future cash flows over the initial investment is the accretable yield (or the "IRR"). At each individual coupon date, the IRR is recalculated and the new IRR is used to recognize interest income on that particular investment until the following coupon date using the effective yield method. Cash distributions received from investments under ASC 325 may not necessarily equal the income earned during any given year or period. The amortized cost of each investment is equal to the initial investment plus the yield accrued to date less all cash received to date less any write downs for impairment.

Investments in leveraged loans, at fair value

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

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in CLO mezzanine tranche investments, at fair value

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

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

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

Investments in unlisted investment funds, at fair value

Investments in unlisted investment funds are valued utilizing the net asset valuations provided by the managers of the underlying funds and / or their administrators. This approach is known as the "practical expedient" and has been applied in accordance with the ASU 820.

Investments in real estate, at fair value

Investments where the primary purpose is to seek exposure to real estate are either made through an unlisted investment fund structure (see "investments in unlisted investment funds, at fair value") or, where the Fund is the sole or majority investor in a company or partnership, which either directly or indirectly holds this exposure.

The Fund's interests are valued by reference to net asset valuations provided by the investment advisor for the investment and/or its administrator. The underlying real estate is revalued periodically but typically no more frequently than on an annual basis.

Forward currency contracts, at fair value

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

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

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Swaps and Contracts for difference

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

The fair value of the swap or CFD is derived by taking the difference between the quoted price of the underlying security and the contract price. Realized and unrealized gains and losses are included in the Consolidated Statements of Operations.

Credit default swaps

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

Credit default swaps are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. The net income or expense on the swap agreements entered into by the Fund is reflected in the Statements of Operations. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the Statements of Assets and Liabilities. Changes in the fair value are reflected in the Statements of Operations in the period in which they occur.

Tri-Party repurchase agreements

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

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

Due to the highly liquid nature of these instruments, the amount being lent through these tri-party repos is recorded as cash and cash equivalents in the Statements of Assets and Liabilities, with interest receivable accrued and recognized as interest income in the Statement of Operations.

Fixed Assets

Fixed assets are stated at cost and depreciated on a straight-line basis over their estimated useful lives.

Cash and Cash Equivalents

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

Note 2 Significant Accounting Policies (continued)

Management Contracts

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

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

Principles of Consolidation

In accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2015): Investment Companies (the "Guide"), as an Investment Company, the Fund carries all investments at fair value, with the exception of the investments detailed in the paragraph below.

Operating entities are consolidated where the Fund (i) has an economic interest in excess of 50%; (ii) is deemed to have control over the significant operational and financial decisions of the entity; and (iii) where the purpose of the operating entity is to provide services to the Fund rather than realize a gain on the sale of the investment. This consolidation exemption, as outlined in section 7.10 of the Guide, currently applies to the Fund's holdings in Polygon, LCM , Hawke's Point and TCIP (the "subsidiaries").

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

The Fund owns an 85% economic stake in Equitix, an infrastructure asset management business. This investment does not meet requirement (iii) of the exemption outlined above and is therefore carried at fair value.

The Fund owns 23% of GreenOak, a real estate investment manager and certain of its affiliates. It does not meet any of the conditions of the exemption outlined above and is carried at fair value.

The Fund is the primary beneficiary of some securities which are considered variable interest entities ("VIE"). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2015): Investment Companies, all other investments in operating and non-operating entities are carried at fair value regardless of the level of control. Consolidation of such entities is not required.

At 30 June 2016, the fair value of these VIEs is approximately US$ 1,033.5 million (31 December 2015: US$ 1,084.6 million). These are non-recourse securities with no contingent liabilities where the Fund's maximum loss exposure is capped at the current carrying value.

Business Combinations

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

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

Note 2 Significant Accounting Policies (continued)

Business Combinations (continued)

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

Share-Based Employee Compensation

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

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

Fee Income

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

Dividend Income

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

Interest Income and Interest Expense on Cash and Cash Equivalents

Income receivable on cash and cash equivalents is recognised separately through profit or loss in the Consolidated Statements of Operations, on an effective interest rate yield basis.

Other Income

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

Expenses

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

Note 2 Significant Accounting Policies (continued)

Taxation

Income taxes, Fund

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 1,200 per annum (31 December 2015: GBP 1,200 per annum). The Fund has consolidated U.S. and UK operating businesses which are subject to federal and local taxes as applicable.

Income taxes, Corporate Entities

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 30 June 2016 or 31 December 2015.

Dividend Expense

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

Note 3 ASC 820, Fair Value Measurements

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

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

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

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

Note 3 ASC 820, Fair Value Measurements (continued)

The following is a summary of investments by asset class, derivative financial instruments and level as of 30 June 2016 in valuing the Fund's assets and liabilities carried at fair value:

	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	510.0	510.0
CLO Mezzanine	-	1.7	-	1.7
Loans	-	6.3	134.4	140.7
Unlisted Stock	-	14.4	120.2	134.6
Forward foreign exchange contracts (asset)	-	19.9	-	19.9
Forward foreign exchange contracts (liability)	-	(3.3)	-	(3.3)
Equity total return swaps (asset)	-	8.4	-	8.4
Credit default swap (liability)	-	(0.4)	-	(0.4)
Investments measured at Net Asset Value	-	-	-	523.5
	-	47.0	764.6	1,335.1

The following is a summary of investments by asset class, derivative financial instruments and level as of 31 December 2015 in valuing the Fund's assets and liabilities carried at fair value:

	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	599.1	599.1
CLO Mezzanine	-	1.7	-	1.7
Loans	-	3.0	141.5	144.5
Unlisted Stock	-	10.0	123.9	133.9
Forward foreign exchange contracts (asset)	-	10.8	-	10.8
Forward foreign exchange contracts (liability)	-	(0.7)	-	(0.7)
Equity total return swaps (asset)	-	7.6	-	7.6
Credit default swaps (asset)	-	1.0	-	1.0
Investments measured at Net Asset Value	-	-	-	485.5
	-	33.4	864.5	1,383.4

During the period ended 31 December 2015, an unlisted stock transferred from level 3 to level 2 as a result of a regularly published price becoming available. There were no such movements in the period ended 30 June 2016.

Investments measured at Net Asset Value:
The Fund holds investments in investment funds and vehicles which have been valued using the net asset value of the underlying investment companies. This approach is known as the "practical expedient" and is in accordance with ASC820. In addition, in line with issued guidance, the Fund has opted to remove these investments from disclosure within the levelling hierarchy. See Note 25 for more detail.

As at 30 June 2016, the Fund held US$ 523.5 million in such investments (31 December 2015: US$ 485.5 million) of which US$ 358.5 million was held in open ended hedge fund vehicles (31 December 2015: US$ 343.8 million). Given applicable notice, typically liquidity in these vehicles is such that up to 25% of the investment is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters. In addition, as at 30 June 2016, the Fund held investments in closed ended real estate investment funds and vehicles with a fair value of US$ 165.0 million (31 December 2015: US$ 141.7 million). These investments are typically held in structures where liquidity is primarily dependent upon the sooner of the liquidation of the underlying investments and the stated maturity of the vehicle. It is not uncommon for the expected maturity to exceed five years from the initial investment.

Note 3 ASC 820, Fair Value Measurements (continued)

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 30 June 2016.

	CLO Equity Tranches US$ MM	Loans US$ MM	Unlisted Stock US$ MM	Total US$ MM
Balance at start of period	599.1	141.5	123.9	864.5
Purchases of investments	12.7	4.4	-	17.1
Proceeds from sale of investments	-	(1.4)	-	(1.4)
Realized (loss) / gain and change in unrealized (depreciation) / appreciation	(8.5)	(10.1)	(3.7)	(22.3)
Amortization	(93.3)	-	-	(93.3)
Balance at end of period	510.0	134.4	120.2	764.6

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

	CLO Equity Tranches US$ MM	Loans US$ MM	Unlisted Stock US$ MM	Total US$ MM
Balance at start of year	816.9	6.4	69.3	892.6
Purchases of investments	62.4	130.7	22.6	215.7
Proceeds from sale of investments	(6.5)	(6.4)	-	(12.9)
Transfers out of level 3	-	-	(10.0)	(10.0)
Realized (loss) / gain and change in unrealized (depreciation) / appreciation	(40.2)	10.8	42.0	12.6
Amortization	(233.5)	-	-	(233.5)
Balance at end of year	599.1	141.5	123.9	864.5

Quantitative information about Level 3 Fair Value Measurements

Investments in securities	Balance at 30 June 2016 US$ MM	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	510.1	Market standard model	See investments in CLO equity tranche investments	See below
Loans	134.4	Market standard model	Cost of financing for loan counterparty	LIBOR +6% - 12%
Unlisted Stock – Global Financial Real Estate Investment Manager	66.0	Market standard model	Enterprise Value/EBITDA	12x
Unlisted Stock – UK Infrastructure Asset Manager	32.7	Market standard model	Discounted Cash Flows	9.5%
		Market standard model	Enterprise Value/EBITDA	6.0x
Unlisted Stock – U.S. Private Equity Investments	21.5	Cost adjusted by available data points	See unlisted stock	

Note 3 ASC 820, Fair Value Measurements (continued)

Investments in securities	Balance at 31 December 2015 US$ MM	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	599.1	Market standard model	See investments in CLO equity tranche investments	See below
Loans	141.5	Market standard model	Cost of financing for loan counterparty	LIBOR +6% - 12%
Unlisted Stock – Global Financial Real Estate Investment Manager	70.0	Market standard model	Enterprise Value/EBITDA	12x
Unlisted Stock – UK Infrastructure Asset Manager	32.4	Market standard model	Discounted Cash Flows	9.5%
		Market standard model	Enterprise Value/EBITDA	5.8x
Unlisted Stock – U.S. Private Equity Investments	21.5	Cost adjusted by available data points	See unlisted stock	

The fair values of the level 3 investments are sensitive to the inputs used in the valuation process. The CLO equity valuations are sensitive to a number of different inputs to the third party model. For example, if the default rate assumption inputs were increased, assuming all other inputs were held constant, then the fair value would decrease and vice versa.

Equally, if the discount rates applied to projected cash flows were increased, and similarly assuming all other inputs were held constant, then the fair value would also decrease and vice versa.

Loans
The loan investments relate to two tranches of loans advanced to Equitix as part of its acquisition by the Fund. A mezzanine loan with a current notional value of £ 8.0 million (US$ 10.6 million) was advanced at a rate of LIBOR+6%.

Loan notes with a notional value of £79.5 million (US$ 123.8 million) and a coupon of 12% were also issued by Equitix to the Fund as part of the transaction. Both the loan notes and the mezzanine loan have been valued at fair value plus accrued interest.

Unlisted stock
The unlisted stock investment includes a 23% stake in GreenOak which had a fair value of US$ 66.0 million at 30 June 2016 (31 December 2015: US$ 70.0 million). The primary metric utilized to determine this valuation was an Enterprise Value/EBITDA multiple of 12x adjusted EBITDA. The valuation calculation was prepared by a third party valuation specialist. Given the methodology utilized, if the multiple applied to the adjusted EBITDA was decreased then the fair value would also decrease.

It also includes the Fund's investment in the equity of Equitix. Both a Discounted Cash Flow ("DCF") and an Enterprise Value/EBITDA multiple were utilised by a third party valuation specialist to determine a valuation of US$ 32.7 million (31 December 2015: US$ 32.4 million). This assumed that the Fund's economic interest in Equitix is 74.8%, which is the level that it is expected to decline to over time, with management owning the remainder. For the DCF a discount rate of 9.5% was applied to determine the enterprise value before a 15% discount for lack of liquidity was applied. The Enterprise Value/EBITDA multiple was 6.0x (31 December 2015: 5.8x). As with the GreenOak valuation, if the multiple applied to the EBITDA decreased then so would the fair value. If the discount rate applied to future cash flows was increased then the fair value would decrease.

Note 3 ASC 820, Fair Value Measurements (continued)

The unlisted stock investment also includes two private equity investments and these are valued by utilizing observable data points where available. At 31 December 2015, for the first investment this included an implied valuation by reference to a new round of funding. For the second investment this included a valuation document produced for the company by an investment bank. In the absence of any new material observable data points, both valuations have subsequently remained unchanged.

CLO equity tranches

As disclosed in Note 2, a mark to model approach has been adopted to determine the value of the equity tranche CLO investments. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of these CLO equity investments. Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

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

As at 30 June 2016, some of the modeling assumptions used are disclosed below. The modeling assumptions disclosed below are a weighted average (by U.S. Dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

U.S. CLO equity tranche investments –

	30 June 2016	**31 December 2015**
Constant Annual Default Rate ("CADR")	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	73%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	73%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 372 bps on broadly U.S. syndicated loan deals which are still in their reinvestment periods. Middle Market loan deals are all through their reinvestment period.	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 375 bps on broadly U.S. syndicated loan deals which are still in their reinvestment periods. Middle Market loan deals are all through their reinvestment period.

Note 3 ASC 820, Fair Value Measurements (continued)

CLO equity tranches (continued)

European CLO equity tranche investments -

	30 June 2016	31 December 2015
Constant Annual Default Rate ("CADR")	Approximately 2.1%, which is 1.0x the original WARF derived base-case default rate for the life of the transaction.	Approximately 2.1%, which is 1.0x the original WARF derived base-case default rate for the life of the transaction.
Recovery Rate	68%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	68%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	All European deals are through their reinvestment period.	All European deals are through their reinvestment period.

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

As at 30 June 2016, for the pre-2010 vintage U.S. equity tranches, the Fund applied a 12.0% discount rate to the expected future cash-flows (31 December 2015: 12.0%). The European equity tranches are all discounted at 13.0% (31 December 2015: 13.0%). For both U.S. and European deals the aforementioned discount rates represent a significant spread over observed yields on the applicable BB-rated CLO tranches for each geographical region at that date.

For the post-2010 vintage U.S. equity tranches, an increased level of transparency over certain data points and metrics associated with such deals has enabled the determination of a generic discount rate for this sub-asset class. As at 30 June 2016, a discount rate of 11.0% (31 December 2015: 11.0%) is applied to the future projected cash flows of seasoned U.S. CLO 2.0 deals.

More recently-issued U.S. CLO 2.0 deals (within 12 months of deal closing) continue to be discounted at their respective deal IRRs. As at 30 June 2016, there was only one such deal in this category, with an IRR of 16.1%. The fair value of deals discounted using deal specific IRRs was 6.1% (31 December 2015: 9.8%) of the CLO equity portfolio by fair value.

Note 4 Derivatives

The fund uses derivative financial instruments to either gain new economic exposure to an underlying asset or to hedge an existing economic exposure.

As at 30 June 2016, the Fund had a number of forward foreign exchange contracts in place with original maturities ranging from three months to approximately five years. The Fund typically agrees to sell foreign currency and buy U.S. Dollars in order to hedge long non-U.S. Dollar investment positions. The total open balance as at the end of the period was net long U.S. Dollars US$ 317.4 million, with 34 transactions executed during the period at an average notional of US$ 13.9 million. (31 December 2015: net long U.S. Dollars US$ 323.0 million, having executed 73 transactions during the year at an average notional of US$ 10.5 million).

Note 4 Derivatives (continued)

The Fund enters into swaps and CFDs with financial institutions. The Fund utilizes these swap or CFD agreements as an efficient means of hedging or of obtaining exposure to certain underlying investments. The Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of counterparties trading with it, as well as risks relating to the creditworthiness of the swap counterparty, market, liquidity, interest rate, fx and operations risk.

Through swaps or CFDs the Fund can in effect be exposed to increases or decreases in the value of an equity or index or to decreases or increases in the value of a related equity or index. Depending on how they are used, the agreements may increase or decrease the overall volatility of the portfolio and performance of the Fund. During the period to 30 June 2016, the Fund had a weighted average notional exposure of US$ 228.0 million through swaps referencing underlying individual equity positions (31 December 2015: US$ 215.2 million).

The Fund enters into credit default swaps in order to hedge certain risks or economic exposures. As at 30 June 2016, the Fund had single name credit default protection of US$ 88.9 million notional with an average notional of US$ 17.8 million, having executed 7 transactions during the period. By comparison as at 31 December 2015, the Fund had purchased single name credit default protection of US$ 65.2 million notional with an average notional of US$ 16.3 million and having executed 7 transactions during the year.

Note 5 Financial Instruments with Off-Balance Sheet and Concentration of Credit Risk

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

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

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

The Fund is exposed to credit risk through its investment in GreenOak investment funds and bankruptcy or insolvency of GreenOak may cause the Fund's rights with respect to the investment funds to be delayed or limited.

The Fund is also exposed to Equitix through a combination of the mezzanine loan, loan notes and equity investment that it holds with respect to this entity. The loans are subordinate to another third party loan and in the event of bankruptcy or insolvency of Equitix this may impact upon the amount which is recoverable with respect to these loans. The maximum aggregate exposure to Equitix is disclosed in Note 7.

The Fund is exposed to counterparty risk in a number of ways. Some of the Fund's assets, including cash and cash equivalents are held by a custodian and other financial institutions, and the Fund is exposed to the credit risk of these counterparties. The Fund has also entered into derivative transactions which results in credit exposure to the applicable counterparties. Concentration risk could arise as a result, notwithstanding the fact that the derivative counterparties are major financial institutions. This risk is monitored on an ongoing basis and is managed through collateral management including master netting agreements.

Note 5 Financial Instruments with Off-Balance Sheet and Concentration of Credit Risk (continued)

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

As of 30 June 2016, the Fund holds financial instruments and derivative instruments that are eligible for offset in the Statements of Assets and Liabilities and are subject to a master netting arrangement. The master netting arrangement allows the counterparty to net any collateral held on behalf of the Fund or liabilities or payment obligations of the counterparty against any liabilities or payment obligations of the Fund to the counterparty.

The following table provides disclosure regarding the potential effect of offsetting of recognized assets presented in the Statement of Assets and Liabilities:

30 June 2016

Description	Gross Amount of Recognized Assets US$ MM	Gross Amounts Offset in the Statements of Assets and Liabilities US$ MM	Net Amounts Presented in the Statements of Assets and Liabilities US$ MM	Financial instruments eligible for netting US$ MM	Cash Collateral received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	28.3	-	28.3	(3.7)	-	24.6
Total	28.3	-	28.3	(3.7)	-	24.6
Liabilities						
Derivatives	3.7	-	3.7	(3.7)	-	-
Total	3.7	-	3.7	(3.7)	-	-

31 December 2015

Description	Gross Amount of Recognized Assets US$ MM	Gross Amounts Offset in the Statements of Assets and Liabilities US$ MM	Net Amounts Presented in the Statements of Assets and Liabilities US$ MM	Financial instruments eligible for netting US$ MM	Cash Collateral received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	19.4	-	19.4	(0.7)	-	18.7
Total	19.4	-	19.4	(0.7)	-	18.7
Liabilities						
Derivatives	0.7	-	0.7	(0.7)	-	-
Total	0.7	-	0.7	(0.7)	-	-

Note 6 Management Contracts

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

30 June 2016

	Weighted average amortization period	Gross carrying amount US$ MM	Weighted average outstanding amortization period	Accumulated amortization US$ MM	Net carrying amount US$ MM
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34.3	6 years 4 months	12.6	21.7
Total		34.3		12.6	21.7

31 December 2015

	Weighted average amortization period	Gross carrying amount US$ MM	Weighted average outstanding amortization period	Accumulated amortization US$ MM	Net carrying amount US$ MM
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34.3	6 years 10 months	10.9	23.4
Management contracts – private equity	3 years	10.2	-	10.2	-
Total		44.5		21.1	23.4

Aggregate amortization expense for amortizing intangible assets was US$ 1.7 million for the period ended 30 June 2016 (30 June 2015: US$ 3.4 million). Estimated annual amortization expense for the next seven years is US$ 1.7 million in the remainder of 2016, US$ 3.4 million in years 2017 to 2021 and US$ 3.0 million in 2022.

Note 7 Equitix

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

The purchase agreement also provided for some additional contingent consideration of up to £15.0 million, payable in early 2017 and subject to Equitix outperforming certain elements of its business plan. This contingent payment, should it become payable, will be contractually due from Equitix rather than the Fund and therefore is not an obligation of the Fund. An estimate of the expected contingent consideration has been factored into the valuation of the Fund's equity investment.

The loans and equity held are all denominated in GBP, and where possible, the Fund aims to hedge against this currency exposure through the use of fx forward transactions. Measured in GBP, as at 30 June 2016 the fair value of the aggregate investment in Equitix was £125.5 million (31 December 2015: £118.0 million).

Note 7 Equitix (continued)

	30 June 2016		31 Dec 2015	
	Cost US$ MM	Fair Value US$ MM	Cost US$ MM	Fair Value US$ MM
Loan Notes	119.7	123.8	119.7	130.1
Mezzanine loan	10.7	10.6	10.7	11.4
Equity	2.4	32.7	2.4	32.4
Total	132.8	167.1	132.8	173.9

Note 8 Cash and Cash Equivalents

	30 June 2016 US$ MM	31 Dec 2015 US$ MM
Cash and current deposits with banks	398.5	412.9
Foreign currency cash with banks (cost: US$ 14.0 million (31 December 2015: US$ 28.3 million))	13.7	27.5
	412.2	440.4

Of this cash balance, US$ 150.0 million relates to amounts loaned to counterparties and secured against collateral through tri-party agreements (31 December 2015: US$ 225.0 million). These all have at least overnight liquidity. In addition, approximately US$ 7.1 million was held with respect to certain capital requirements in regulated entities (31 December 2015: US$ 5.5 million).

Note 9 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral against fx forward and derivative transactions. The following table details amounts held by brokers.

	30 June 2016 US$ MM	31 Dec 2015 US$ MM
UBS AG	12.0	10.7
BNP Paribas	8.3	10.3
Morgan Stanley	1.5	1.4
Bank of America Merrill Lynch	34.0	37.5
	55.8	59.9

Note 10 Other Receivables

	30 June 2016 US$ MM	31 Dec 2015 US$ MM
Accrued fee income	4.3	10.6
Prepayments	3.0	2.3
Rent deposits on properties	1.4	1.6
Other receivables	5.7	7.0
	14.4	21.5

Note 11 Other Payables and Accrued Expenses

	30 June 2016 US$ MM	31 Dec 2015 US$ MM
Employee costs	32.9	39.6
Amounts owing to former Polygon partners (see Note 23)	1.4	3.5
Other operating and administrative expenses	2.7	5.4
	37.0	48.5

Note 12 Credit Facility

On 5 April 2016, the Fund obtained an unsecured US$ 75.0 million revolving credit facility with a stated maturity date of 1 April 2019. This stated maturity date will automatically be extended by six months on 1 April and 1 October in each year unless the lender provides a written notice to the Fund withholding consent to such an extension.

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

As at 30 June 2016, the facility remained fully undrawn.

Note 13 Share Capital

Authorized

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

Voting Shares

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

Non-Voting Shares

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

Dividend Rights

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

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
Shares in issue at 31 December 2014	10	95.9	0.1
Issued in lieu of stock dividend	-	1.2	-
Issued through release of tranche of Escrow Shares	-	4.8	-
Shares purchased during the year	-	(6.0)	-
Shares in issue at 31 December 2015	10	95.9	0.1
Issued in lieu of stock dividend	-	0.8	-
Issued through exercise of options	-	0.8	-
Shares purchased during the period	-	(10.0)	-
Shares in issue at 30 June 2016	10	87.5	0.1

Note 13 Share Capital (continued)

Treasury Shares

The Fund has entered into a joint arrangement with the Feeder through the establishment of TFG Holdings I. The Fund may transfer, and has transferred, Shares previously held in a Treasury Account to TFG Holdings I. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Consolidated Statements of Assets and Liabilities.

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

On 10 May 2016, the Feeder and the Fund announced that under the terms of a “modified Dutch auction” tender offer (the “Tender Offer”) it had accepted for purchase approximately 10.0 million non-voting shares of the Company at a purchase price of US$ 10.00 per share and an aggregate cost of US$ 100.7 million, including applicable fees and expenses. The repurchased Shares were exchanged with the Company for the identical amount of Feeder Fund Shares. The repurchased shares were transferred to TFG Holdings I.

As at 30 June 2016, 27.0 million Shares are held in TFG Holdings I (31 December 2015: 17.0 million) and 12.0 million Shares in the Treasury Account (31 December 2015: 12.8 million) with an aggregate attributed cost of US$ 358.3 million (31 December 2015: US$ 264.6 million).

Escrow Shares

As part of the Acquisition to acquire TFG Asset Management, the Aggregate Consideration of 11.7 million Shares was moved to an escrow account where they were to be held before being released in conjunction with the agreed vesting schedule, subject to certain forfeiture conditions. During the period, 0.2 million Shares were added to the account due to stock dividends resulting in 6.8 million Shares in the account as at 30 June 2016 (31 December 2015: 6.6 million).

These Shares, which remain eligible for stock dividends, are expected to be released in 2016 and 2017, subject to the conditions described above.

A second escrow account was opened during 2015, to hold Shares which will form part of an equity-based awards program for certain employees of TFG Asset Management. These shares are eligible to participate in the stock dividend and during the period, 0.2 million shares were allocated to this account resulting in a total of 5.9 million shares held in this account as at 30 June 2016.

Other Share Transactions

	Treasury Shares Shares No. MM	Shares held in TFG Holdings I Shares No. MM	Escrow shares – TFG AM acquisition Shares No. MM	Escrow Shares – Equity-based awards Shares No. MM
Shares brought forward at 31 December 2014	12.8	16.6	10.7	-
Shares purchased during the year	-	0.4	-	5.7
Stock Dividend	-	-	0.6	-
Vested and released	-	-	(4.7)	-
Shares at 31 December 2015	12.8	17.0	6.6	5.7
Shares purchased during the period	-	10.0	-	-
Stock Dividend	-	-	0.2	0.2
Settlement of options exercised	(0.8)	-	-	-
Shares at 30 June 2016	12.0	27.0	6.8	5.9

Note 14 Equity and Reserves Movement

	Share Capital US$ MM	Share Premium US$ MM	Capital Contribution US$ MM	Retained Earnings US$ MM	Total Equity US$ MM
Balance at 31 December 2015	**0.1**	**881.1**	**19.6**	**976.6**	**1,877.4**
Net income	-	-	-	48.8	48.8
Shares purchased	-	(100.7)	-	-	(100.7)
Cash dividends	-	-	-	(24.4)	(24.4)
Stock dividends	-	7.6	-	(7.6)	-
Share-based employee compensation	-	-	11.5	-	11.5
Dividends paid to Feeder	-	-	-	(9.3)	(9.3)
Balance at 30 June 2016	**0.1**	**787.9**	**31.1**	**984.2**	**1,803.3**

	Share Capital US$ MM	Share Premium US$ MM	Capital Contribution US$ MM	Retained Earnings US$ MM	Total Equity US$ MM
Balance at 31 December 2014	**0.1**	**888.6**	**31.4**	**914.8**	**1,834.9**
Net income	-	-	-	167.0	167.0
Shares purchased	-	(60.9)	-	-	(60.9)
Cash dividends	-	-	-	(50.5)	(50.5)
Stock dividends	-	12.0	-	(12.0)	-
Shares released from Escrow	-	33.8	(33.8)	-	-
Dividends on Shares released from Escrow	-	7.5	-	(7.5)	-
Capital contribution relating to share-based compensation	-	-	22.0	-	22.0
Dividends paid to Feeder	-	-	-	(35.2)	(35.2)
Balance at 31 December 2015	**0.1**	**881.1**	**19.6**	**976.6**	**1,877.4**

Note 15 Dividends

	30 June 2016 US$ MM	30 June 2015 US$ MM
Quarter ended 31 December 2014 of US$ 0.1575 per share	-	15.1
Quarter ended 31 March 2015 of US$ 0.1575 per share	-	15.2
Quarter ended 31 December 2015 of US$ 0.165 per share	15.9	-
Quarter ended 31 March 2016 of US$ 0.165 per share	16.1	-
	32.0	30.3

The second quarter dividend of US$ 0.1675 per share was approved by the Directors on 27 July 2016 and has not been included as a liability in these consolidated financial statements.

The gross dividend payable to shareholders was US$ 32.0 million (30 June 2015: US$ 30.3 million) with a value equivalent to US$ 7.6 million (30 June 2015: US$5.5 million) elected to be taken by the dividend recipient in Shares rather than cash.

The Fund also pays a dividend to the Feeder that is sufficient to pay their incentive fee liability. In the period ended 30 June 2016, US$ 9.3 million (30 June 2015: US$ 24.5 million) was paid.

Note 16 Income and Deferred Tax Expense

Income tax for the period ended 30 June 2016 and 30 June 2015 consists of:

	Current	Deferred	Total
Period ended 30 June 2016:	US$ MM	US$ MM	US$ MM
U.S. Federal and local	2.1	(1.3)	0.8
UK	(0.8)	(0.3)	(1.1)
	1.3	(1.6)	(0.3)

	Current	Deferred	Total
Period ended 30 June 2015:	US$ MM	US$ MM	US$ MM
U.S. Federal and local	4.3	1.2	5.5
UK	1.4	(0.6)	0.8
	5.7	0.6	6.3

US$ 3.8 million of current tax was payable at the end of the period (31 December 2015: expense of US$ 5.8 million) with US$ Nil receivable (31 December 2015: US$ Nil).

Tax Rate Reconciliation

There was an income tax credit balance of US$ 0.3 million for the period ended 30 June 2016 (31 December 2015: expense of US$ 10.1 million) and differed from the amounts computed by applying the U.S. Federal income tax of 35% to pretax increase in the net assets as a result of the following:

	30 June 2016 US$ MM	30 June 2015 US$ MM
Net increase in operations before tax	48.5	131.0
Computed "expected" tax expense at 35%	17.0	45.9
Deduction in income taxes resulting from:		
Income not subject to U.S. tax	(17.9)	(40.7)
State and local income taxes	1.2	1.1
Total income and deferred tax	0.3	6.3

Deferred Tax

	30 June 2016 US$ MM	31 Dec 2015 US$ MM
<u>Deferred tax assets</u>		
Employee compensation payments	10.1	9.2
Loss carried forward	-	-
Total deferred tax assets	10.1	9.2
<u>Deferred tax liabilities</u>		
Undistributed earnings	0.4	0.8
Intangible assets	5.4	5.8
Total deferred tax liabilities	5.8	6.6
Net deferred tax assets	4.3	2.6

Deferred tax assets include US$ 10.1 million (31 December 2015: US$ 9.2 million) relating to amounts accrued for employee compensation in 2016 which will only be an allowable expense in 2017 for tax purposes.

Note 16 Income and Deferred Tax Expense (continued)

Deferred Tax (continued)

US$ 5.4 million (31 December 2015: US$ 5.8 million) is being recognized as a deferred tax liability due to the amortization on management contracts being a disallowable expense for tax purposes. This will be released over time as the management contracts are amortized. US$ 0.4 million has also been recognized as a liability with respect to applicable undistributed earnings at a withholding rate of 5%.

Note 17 Interest Income

	30 June 2016 US$ MM	30 June 2015 US$ MM
Debt securities – CLO equity tranches and mezzanine tranches	48.1	54.5
Debt securities – Loans	0.2	0.4
Loans	6.7	6.6
Cash and other	0.5	0.1
	55.5	61.6

Note 18 Fee Income

	30 June 2016 US$ MM	30 June 2015 US$ MM
Management fees		
CLO	12.7	15.8
Hedge Funds and Private Equity	12.1	13.4
Performance fees	2.7	1.5
	27.5	30.7

CLO management fee income generally comprises senior and subordinated fees and in aggregate these fees currently range from 25 bps to 50 bps per annum of collateral under management. In addition to fee income earned on CLOs directly managed, CLO management fee income also includes fee income derived from a number of one-off and recurring fee sharing arrangements with third parties. In the period to 30 June 2016, these third-party fees generated US$ 1.6 million (30 June 2015: US$ 5.1 million).

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

Where the Fund is seeding an investment vehicle or otherwise supporting its development, the vehicle's investment manager may also recharge certain additional costs or fee equivalents, to the Fund's investment in that vehicle. During the period, the amount of fee equivalents recharged under these arrangements by Polygon hedge fund managers was US$ 3.3 million (30 June 2015: US$ 4.2 million).

Performance or incentive fees may be earned on hedge fund vehicles contingent upon the terms of each vehicle and the share class, where applicable. They may also be earned through management of CLO vehicles once the vehicle has generated a specified return for the equity, or subordinated, tranche. During the period, such fees totaling US$ 2.7 million were earned (30 June 2015: US$ 1.5 million).

Note 18 Fee Income (continued)

Where the Fund invests in Polygon hedge fund or other investment vehicles, it is able to invest at a preferred level of fees. The fees received by such affiliated managers from the Fund's investment are included and recognized in fee income reported in the Fund's Consolidated Statements of Operations. During the period, these fee income amounts were US$ 2.3 million of management fees (30 June 2015: US$ 2.2 million) and US$ Nil of performance fees (30 June 2015: US$ Nil). The Fund also invests on preferred fee terms with its other affiliated asset managers (i.e. LCM and GreenOak).

Note 19 Other income

Other income includes costs which are allocated to, and recovered from, the Investment Manager, GreenOak and Polygon Private Investment Partners LP pursuant to applicable separate services agreements, as well as the recovery of certain premises related costs from third-party tenants.

See Note 23 for a full explanation of the cost allocation methodology, as well as the amounts charged to each of the related parties.

	30 June 2016 US$ MM	30 June 2015 US$ MM
Employee costs	6.2	6.9
Legal and professional fees	0.2	0.1
Technology	0.6	1.1
Premises	0.9	1.5
Other	0.4	0.3
	8.3	9.9

Note 20 Other operating and administrative expenses

	30 June 2016 US$ MM	30 June 2015 US$ MM
Premises	(4.5)	(4.3)
Technology	(3.0)	(2.8)
Other	(3.2)	(3.3)
	(10.6)	(13.8)

Note 21 Share-Based Employee Compensation

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

The Aggregate Consideration is held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The first tranches were released in 2013, 2014 and 2015 with the remainder to be released over the period 2016 and 2017.

Under ASC 805 - Business Combinations ("ASC 805") these shares were treated as payment for post combination services rather than upfront consideration. The Fund recognizes the individual compensation costs on a straight-line basis over the relevant service period of each award if the vesting performance conditions are met. These are reflected in the Consolidated Statements of Operations as share-based employee compensation and through Equity as a separate reserve.

In Q1 2016, equity-based compensation plans involving non-voting shares of the Feeder were implemented for certain senior employees of TFG Asset Management L.P. In aggregate these awards are spread out over multiple vesting dates, up to and including 2024, although they may vary for each employee and are also subject to forfeiture provisions. The arrangements may also include additional periods, beyond the vesting dates, during which employees gain exposure to the performance of the Feeder's Shares, but the shares are not issued to the employees. Such periods may range from one to

Note 21 Share-Based Employee Compensation (continued)

five years beyond vesting dates. The shares underlying these equity-based incentive programs typically will be held in escrow until they vest and will be eligible to receive shares under the Feeder's Optional Stock Dividend Plan.

The Fund recognizes the individual compensation costs on a straight-line basis over the relevant service period of each award if the vesting performance conditions are met. These are reflected in the Consolidated Statements of Operations as share-based employee compensation and through Equity as a separate reserve. In aggregate, including all of the components of share-based employee compensation described above, the charge for the period ended 30 June 2016 amounted to US$ 11.5 million (30 June 2015: US$ 11.5 million).

The table below shows the number of Feeder shares which are currently expected to vest over the period to 2024, including accrued stock dividends up to the end of June 2016. These shares are all entitled to any future stock dividends prior to their release from escrow and so the actual amount of shares vesting each year may be higher. Upon the release of the Feeder shares from escrow, the Fund will issue an identical number of Shares to the Feeder.

Vesting Schedule – Shares as at 30 June 2016

	TFG AM Acquisition		Equity Based Awards		Total	
	No. MM	US$ MM	No. MM	US$ MM	No. MM	US$ MM
2016	3.7	8.3	-	3.3	3.7	11.6
2017	3.1	12.6	0.2	7.6	3.3	20.2
2018	-	-	0.2	7.5	0.2	7.5
2019	-	-	0.2	7.0	0.2	7.0
2020	-	-	1.5	5.1	1.5	5.1
2021	-	-	0.2	3.6	0.2	3.6
2022	-	-	1.6	3.6	1.6	3.6
2023	-	-	0.2	3.6	0.2	3.6
2024	-	-	1.8	-	1.8	-
	6.8	20.9	5.8	41.3	12.6	62.2

Vesting Schedule – Shares as at 30 June 2015

	TFG AM Acquisition		Equity Based Awards		Total	
	No. MM	US$ MM	No. MM	US$ MM	No. MM	US$ MM
2015	4.3	11.6	-	-	4.3	11.6
2016	3.5	16.6	-	-	3.5	16.6
2017	2.9	12.6	-	-	2.9	12.6
	10.7	40.8	-	-	10.7	40.8

Note 22 Contingencies and Commitments

On 16 September 2010, the Fund committed to GreenOak to provide a co-investment commitment of up to US$ 100.0 million into GreenOak investment vehicles. As at 30 June 2016, in relation to this particular co-investment commitment, GreenOak had given the Fund notice totalling US$ 94.7 million across multiple investment vehicles, of which US$ 59.2 million had actually been drawn down and funded (31 December 2015: US$ 51.2 million). In certain cases, the Fund has also made additional commitments outside of the co-investment agreement and in aggregate, the Fund has estimated total unfunded commitments of US$ 91.2 million in respect of GreenOak investment vehicles (31 December 2015: US$ 103.8 million). The total actual amount ultimately drawn may be lower than this estimated maximum amount.

Note 22 Contingencies and Commitments (continued)

Future minimum lease payments under noncancelable operating leases as of 30 June 2016 are:

	30 June 2016 US$ MM	31 Dec 2015 US$ MM
2016	2.5	5.3
2017	5.2	5.5
2018	2.9	3.0
2019	2.8	2.8
2020	2.8	2.8
2021	2.8	2.8
2022	2.5	2.5
	21.5	24.7

In the first half of 2016, the amount paid with respect to such leases was US$ 2.6 million (30 June 2015: US$ 2.8 million).

Note 23 Related Party Transactions

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

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

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

With respect to the period ending 30 June 2016, Frederic Hervouet has elected to receive Shares and he received 2,893 shares in relation to the fourth quarter 2015 fees, and Shares were issued in the first quarter of 2016. Frederic also received 2,538 Shares in relation to the fee for the first quarter of 2016. The number of Shares issued instead of the fee for the second quarter will be determined as part of the second quarter 2016 dividend process.

Effective 14 June 2016, Mr. William P. Rogers has been appointed as an Independent Director of the Fund and the Company and will also serve on the Audit Committee of both entities. He replaces Mr. Byron Knief, who stepped down as Independent Director on the same date.

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

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

TFG Asset Management L.P., including Polygon's asset management businesses and infrastructure platform and interests in LCM and GreenOak, were acquired on 28 October 2012 (the "Acquistion"). As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in non-voting shares of the Feeder. One third vested in 2015 and the remainder will vest in equal parts in 2016 and 2017.

Note 23 Related Party Transactions (continued)

It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Mr. Griffith and Mr. Dear in respect of his employment with the Fund exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Fund. During the period ended 30 June 2016, total compensation paid to them each in aggregate was US$ 50,000 (30 June 2015: US$ 50,000).

As at 30 June 2016, in connection with the Acquisition, US$ 1.4 million in aggregate is owed to Reade Griffith and Paddy Dear, directly or via an entity to which they may direct payment (31 December 2015: US$ 3.5 million). This payable primarily relates to the repayment of certain rent deposits funded through Polygon entities by Messrs Griffith and Dear before the Acquisition. Under the terms of the sale and purchase agreement relating to the Acquisition, Messrs Griffith and Dear retained the economic rights to such deposits.

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

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

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

TFG Asset Management, through the Service Providers, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to the Investment Manager. TFG Asset Management then charges fees for the services allocated on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. In the period, the amount recharged i) to the Investment Manager was US$ 7.6 million (31 December 2015: US$ 13.9 million), ii) to GreenOak was US$ 0.3 million (31 December 2015: US$ 2.4 million) and iii) to Polygon Private Investment Partners LP was US$ 0.1 million (31 December 2015: US$ 0.1 million). As at 30 June 2016, the amount receivable relating to these recharges was US$ 1.3 million (31 December 2015: US$ (0.1) million).

The Fund holds CLO equity investments in CLOs which are managed by LCM. During the period, it purchased two secondary pieces in LCM XVI and XVIII for US$ 6.6 million and US$ 6.1 million respectively. In total, as at 30 June 2016, it held CLO equity tranche investments in 14 CLOs managed by LCM with a fair value of US$ 221.6 million (31 December 2015: US$ 224.1 million).

At 30 June 2016, the Fund held investments across several hedge funds managed by Polygon. These hedge funds employ investment strategies involving investing in equities, convertible bonds, credit and derivatives. As at 30 June 2016, the fair value of these investments was US$ 352.7 million (31 December 2015: US$ 338.1 million). The fees paid on these investments are disclosed as per Note 18.

The Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire a share in GreenOak, the Fund provided a US$ 100.0 million coinvestment commitment and a US$ 10.0 million working capital loan commitment to GreenOak, with the Feeder issuing 3.9 million share options to the GreenOak founders. On 28 October

Note 23 Related Party Transactions (continued)

2012, as a result of the Acquisition, the Fund increased its working capital loan commitment by an additional US$ 0.5 million by assuming the acquiree's remaining unfunded commitment. During 2015, the working capital loan was fully repaid.

The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 30 June 2016, these investments referenced real estate in the United States, Japan and Europe with a combined net asset value of US$ 138.3 million (31 December 2015: US$ 115.4 million). These investments are typically illiquid, where the Fund will only receive distributions on liquidation of the investment vehicle's underlying assets, and in some cases this may not be for several years. In addition, based on projected capital raised (subject to change), the Fund had estimated unfunded commitments of up to US$ 91.2 million with respect to the investment vehicles (31 December 2015: US$ 103.8 million).

Note 24 Subsequent Events

The Directors have evaluated the period up to 27 July 2016, which is the date that the financial statements were approved, and have concluded that there are no material events that require disclosure or adjustment to the financial statement.

Note 25 Recent changes to U.S. GAAP

Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825)

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments (Topic 825) — Recognition and Measurement of Financial Assets and Financial Liabilities." ASU No. 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU No. 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted. The Fund is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Leases (ASC 842)

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU No. 2016-02 requires that, at lease inception, a lessee recognize in the Statements of Financial Condition a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. The ASU also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right of- use asset in the Statements of Operations, while for operating leases, such amounts should be recognized as a combined expense in the Statements of Operations. In addition, ASU No. 2016-02 requires expanded disclosures about the nature and terms of lease agreements and is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. The Fund is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Improvements to Employee Share-Based Payment Accounting (ASC 718)

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718) — Improvements to Employee Share-Based Payment Accounting." ASU No. 2016-09 includes provisions to simplify certain aspects related to the accounting for share-based awards and the related financial statement presentation. This ASU includes a requirement that the tax effect related to the settlement of share-based awards be recorded in income tax benefit or expense in the Statements of Operations. This change is required to be adopted prospectively in the period of adoption. In addition, the ASU modifies the classification of certain share-based payment activities within the Statements of Cash Flows and these changes are required to be applied retrospectively to all periods presented, or in certain cases prospectively, beginning in the period of adoption. ASU No. 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The Fund is evaluating the effect of this guidance on its financial statements.

Note 26 Approval of Financial Statements

The Directors approved the consolidated financial statements on 27 July 2016.