2018 Half-Yearly Report

TETRAGON FINANCIAL GROUP LIMITED

Contents

BECHARA NASR
POLYGON

TETRAGON[(1)] is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds, private equity, infrastructure and TFG Asset Management, a diversified alternative asset management business. Where appropriate, through TFG Asset Management, Tetragon seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. Tetragon's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The company is traded on Euronext in Amsterdam N.V. and on the Specialist Fund Segment of the main market of the London Stock Exchange.

To view company updates visit:
www.tetragoninv.com

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

DAGMARA MICHALCZUK
CLO PORTFOLIO MANAGER

Delivering Results Since 2005(1)

NAV PER SHARE TOTAL RETURN(2)

10.7%	10.8%	11.2%	11.2%	228.6%
ONE YEAR TO 30 JUNE 2018	**THREE YEARS ANNUALISED**	**FIVE YEARS ANNUALISED**	**SINCE IPO ANNUALISED**	**SINCE IPO**

INVESTMENT RETURNS/RETURN ON EQUITY(3)

5.2%	10-15%	12.3%
2018 YTD ROE	**ROE TARGET**	**ANNUAL AVERAGE SINCE IPO**

DIVIDENDS

$0.1800	$0.3575	5.7%	3x	6.2%
Q2 2018 DIVIDEND	**H1 2018 DIVIDENDS**	**DIVIDEND YIELD**	**DIVIDEND COVER(4)**	**DIVIDEND 5-YEAR CAGR**

NET ASSET VALUE

$2.1 billion

30 JUNE 2018

OWNERSHIP(5)

26.6%

PRINCIPAL & EMPLOYEE OWNERSHIP AT 30 JUNE 2018

(1) (2) (3) (4) (5) Please see important notes on page 8.

First Half 2018 Snapshot

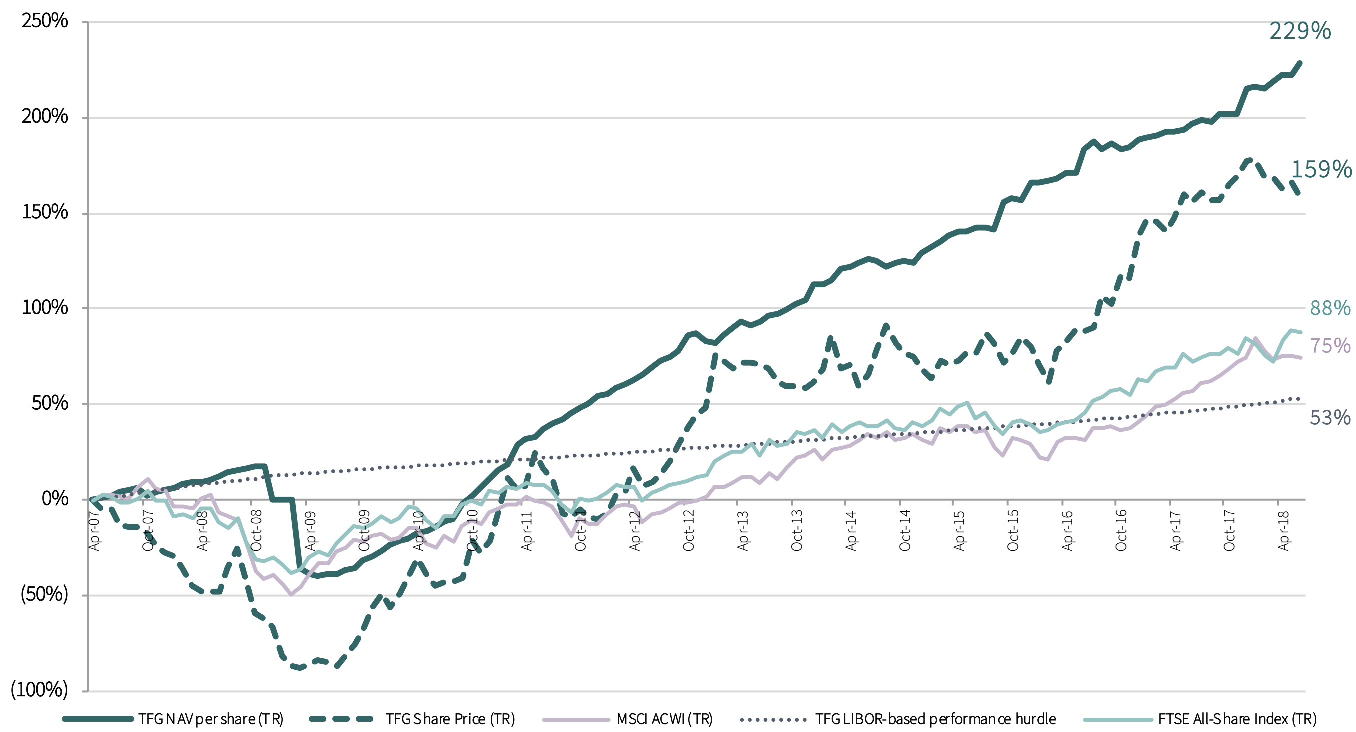
Tetragon aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles.

FIGURE 1

Tetragon Financial Group - Performance Summary			
	30 June 2018	31 December 2017	Change
Net Assets	$2,074.9m	$1,994.5m	$80.4m
Fully Diluted NAV Per Share	$21.64	$21.08	$0.56
Share Price(1)	$12.40	$13.55	$(1.15)
Dividend	**$0.7100**	**$0.7000**	**$0.0100**
Ongoing Charges(2)	1.74%	1.74%	
Investment Returns/Return on Equity(3)			**5.2%**
NAV Per Share Total Return(4)			**4.4%**
Share Price Total Return(5)			(5.9%)
Tetragon Hurdle: LIBOR +2.65%(6)			2.4%
MSCI ACWI Index Total Return(7)			(0.2%)
FTSE All-Share Index Total Return(7)			1.7%

FIGURE 2

Tetragon's NAV Per Share Total Return and Share Price Since IPO to 30 June 2018



(1) (2) (3) (4) (5) (6) (7) Please see important notes on page 8.

Notes

Page 6:

(1) Tetragon commenced investing as an open-ended investment company in 2005, before its inital public offering in April 2007.

(2) NAV per share total return (NAV Total Return) to 30 June 2018, for the last year, the last three years, the last five years, and since Tetragon's initial public offering in April 2007. NAV Total Return is determined in accordance with the "NAV total return performance" calculation as set forth on the Association of Investment Companies (AIC) website. Tetragon's NAV Total Return is determined for any period by calculating, as a percentage return on the fully diluted NAV per share (NAV per share) at the start of such period, (i) the change in 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 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 NAV per share from such ex-dividend date through to the end of the applicable period). NAV per share is calculated as net assets divided by fully diluted shares outstanding. Please refer to page 25 for further details.

(3) Tetragon seeks to deliver 10-15% Return on Equity (RoE) per annum to shareholders. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

(4) EPS divided by Dividends per Share at 30 June 2018.

(5) Shareholdings at 30 June 2018 of the principals of Tetragon's investment manager and employees of TFG Asset Management, including all deferred compensation arrangements. Please refer to the 2017 Audited Tetragon Financial Group Master Fund Limited financial statements for more details of these arrangements.

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(1) Based on TFG.NA.

(2) Annual calculation as at 31 December 2017. The ongoing charges figure is calculated as defined by the AIC, and comprises all direct recurring expenses to Tetragon expressed as a percentage of average net assets, and includes the annual management fee of 1.5%.

(3) Please see Note 3 for Page 6.

(4) Please see Note 2 for Page 6.

(5) H1 2018 total shareholder return, defined as share price appreciation including dividends reinvested, as sourced from Bloomberg.

(6) Cumulative return determined on a quarterly compounding basis using the actual Tetragon quarterly incentive fee LIBOR-based hurdle rate.

(7) 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 an appropriate benchmark to compare an investor's performance, but rather is 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. The MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 24 Emerging Markets countries. With 2,781 constituents, the index covers approximately 85% of the global investable equity opportunity set. Further information relating to the index constituents and calculation methodology can be found at www.msci.com/acwi. The FTSE All-Share Index represents 98-99% of U.K. market capitalisation and is the aggregate of the FTSE 100, FTSE 250 and FTSE Small Cap indices. Further information relating to the index constituents and calculation methodology can be found at www.ftse.com/products/indices/uk.

Strategic Review

PIM KALISVAART
HAWKE'S POINT

Executive Summary

We are pleased that during the first half of 2018, Tetragon delivered returns within our investment return on equity (RoE) target of 10-15%, generating an RoE of 5.2% and an annualised RoE of 10.5%. Tetragon's NAV per share total return was 4.4%; by comparison the MSCI ACWI Index produced a total return of -0.2% and the FTSE All-Share Index total return was 1.7%.[1]

In the first half of 2018, effects of rising interest rates, tighter monetary policy and a stronger U.S. dollar began to ripple through markets and, with the exception of U.S. and Russian indices, most equity markets around the world were down. In the United States, growth stocks continued to outpace value as companies continued to deliver growth, propelled in part by fiscal stimulus. In the six months to 30 June 2018, all of the portfolio's asset classes generated positive results, with the exception of the portfolio's allocations to "Other Credit" and the Polygon[2] Distressed Opportunities Fund (which was wound down as mentioned in the 2017 Annual Report). Net investment gains were $144.6 million, with performance across the individual asset classes varying, in some cases significantly. We believe that the portfolio's construction continues to underpin the investment performance which Tetragon has delivered to shareholders.

Our allocation to private equity in asset management companies, through TFG Asset Management, generated the largest gains in the portfolio during the period. Tetragon's stake in GreenOak[3] represented the largest increase, based on its continued AUM growth and the resultant increase in its management fees, particularly as a result of the incremental fee-generating AUM from U.S. Fund III and Europe Fund II. Equitix[4] also increased in value, with revenue growth resulting from last year's successful close of Fund IV, a number of new managed accounts, and a solid start to fundraising for Fund V. At 30 June 2018, TFG Asset Management had approximately $25.6 billion of AUM in aggregate.[5]

Tetragon's allocation to real estate was the next largest source of net income during the first half of 2018, driven by investments in GreenOak's European and Asian funds. In addition, gains were recognised in the portfolio's Paraguayan farmland investments.

The portfolio's allocations to "other equities and credit" produced gains of $20.6 million with "other equities" generating $29.5 million in gains and "other credit" producing $8.9 million in losses from one distressed credit position that has since been sold.

The bank loan segment of the portfolio benefitted from proactive investment management, including a number of deal refinancings, resets, and the termination of one deal, which resulted in investment gains during the period.

Although the portfolio composition remained broadly stable during the first half of the year, Tetragon made a number of what we believe are compelling idiosyncratic investments, including increased investments in one U.K.-listed equity, a new U.S.-listed equity and a few new private equity investments. In addition, Tetragon increased its existing allocation to the Polygon Convertible Opportunity Fund.

Regarding notable events year to date, in April we announced the appointment of J.P. Morgan Cazenove as joint corporate broker, alongside Stifel Nicolaus Europe. In addition, the company introduced an additional market quote in Sterling for its non-voting shares traded on the London Stock Exchange, which we believe should enable U.K.-oriented investors better access to Tetragon's shares.

(continued)

The second quarter dividend was announced at 18.00 cents per share, bringing 2018 dividends announced to 35.75 cents per share, which is a 2.9% increase on H1 2017 and a five year CAGR of 6.2%. Using the 30 June 2018 share price of $12.40[6], this gives a yield of 5.7%. As a reminder, Tetragon's progressive dividend policy targets a payout ratio of 30-50% of normalised earnings.

While the investment environment remains complex – with protectionism, inflation, and various political risks buffeting markets – Tetragon continues to maintain a large cash balance which will be used to fund specific capital commitments, to pay dividends and to potentially repurchase shares, as well for compelling opportunities that we believe are likely to emerge in this environment.

With Regards,

THE BOARD OF DIRECTORS

31 July 2018

Notes:

(1) Please see Note 7 for page 7 on page 8.

(2) 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.

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

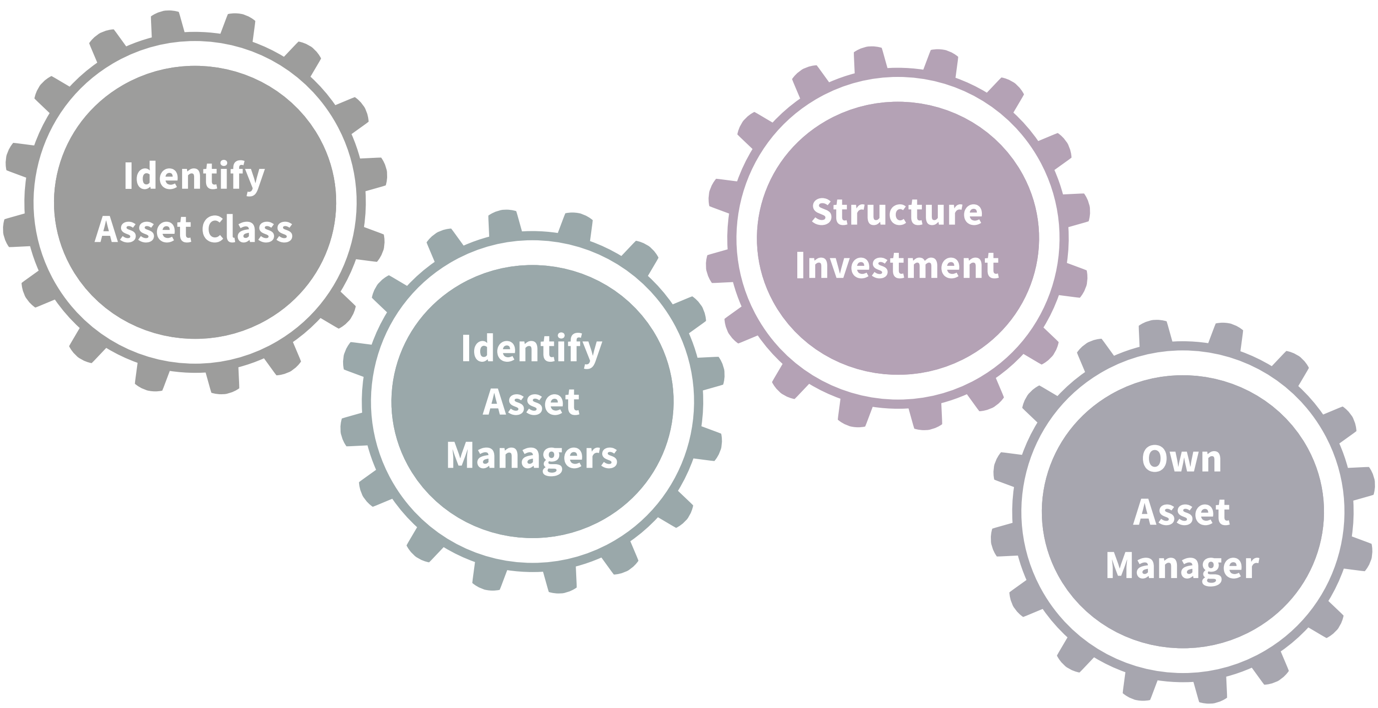
(4) Equitix Holdings Limited, referred to in this report as "Equitix".

(5) AUM 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 Global Equities Master Fund, Equitix, TCI II, TCI III and TCICM as calculated by the applicable administrators for value date 30 June 2018. Includes, where relevant, investments by the Tetragon Master Fund, TCI II and TCI III (in the case of LCM and TCICM). 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 TCIP also include committed capital. TCICM utilises 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.

(6) TFG NA share price at 29 June 2018.

Investment Objective & Strategy

Tetragon is a closed-ended investment company that invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds, private equity, infrastructure and TFG Asset Management, a diversified alternative asset management business. Where appropriate, through TFG Asset Management, Tetragon seeks to own all, or a portion, of asset management companies with which it invests in order to enhance the returns achieved on its capital. Tetragon's investment objective is to generate distributable income and capital appreciation. It aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles. The company is traded on Euronext in Amsterdam N.V.(1) and on the Specialist Fund Segment(2) of the main market of the London Stock Exchange. For more information please visit the company's website at www.tetragoninv.com.



(1) Euronext in Amsterdam is a regulated market of Euronext Amsterdam N.V. (Euronext Amsterdam).

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

Investment Objective & Strategy (continued)

To achieve Tetragon's investment objective of generating distributable income and capital appreciation, the company'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 Tetragon's investment manager to negotiate favourable terms for its investments.
- To own, where appropriate, all, or a portion of, asset management companies with which it invests in order to enhance the returns achieved on its capital.

In addition, the current investment strategy is to continue to grow TFG Asset Management – as Tetragon'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, Tetragon's investment manager 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 Tetragon's capital; and/or seeks for Tetragon (via TFG Asset Management) to own a share of the asset management company. Tetragon 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 asset management 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. Tetragon's 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.

Tetragon'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.

Key Performance Metrics

Tetragon focuses on the following key metrics when assessing how value is being created for, and delivered to, Tetragon shareholders:

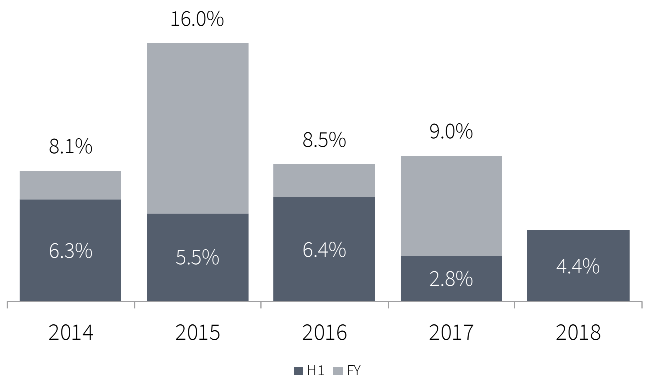
- **NAV Per Share**
- **Investment Returns/Return on Equity**
- **Dividends**

Fully Diluted NAV Per Share

Fully diluted NAV per share (NAV per share) was $21.64 at 30 June 2018. NAV per share total return was 4.4% for H1 2018.

FIGURE 3

NAV Per Share Total Return 2014-2018 YTD



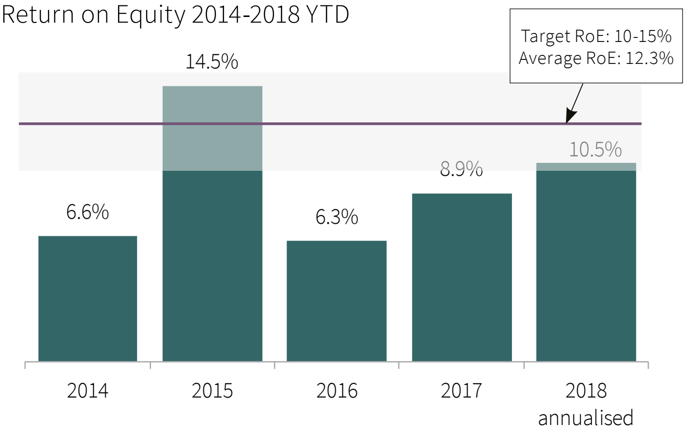
Investment Returns/Return on Equity*

Annualised RoE for H1 2018 was 10.5%. Earnings Per Share (EPS) for H1 2018 was $1.15.

*Average RoE is calculated from Tetragon'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%. Tetragon seeks to deliver 10-15% RoE per annum to shareholders. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

FIGURE 4

Return on Equity 2014-2018 YTD

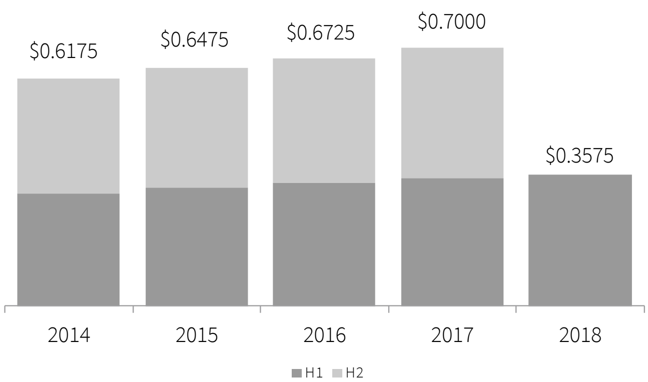


Dividends Per Share (DPS)

Tetragon declared a Q2 2018 dividend of $0.1800 per share, for a rolling 12 month dividend payout of $0.7100 per share, continuing the company's progressive dividend policy, which targets a payout ratio of 30-50% of normalised earnings. The cumulative DPS declared since Tetragon's IPO is $5.8150.

FIGURE 5

Dividend Per Share Comparison 2014-2018 YTD (USD)



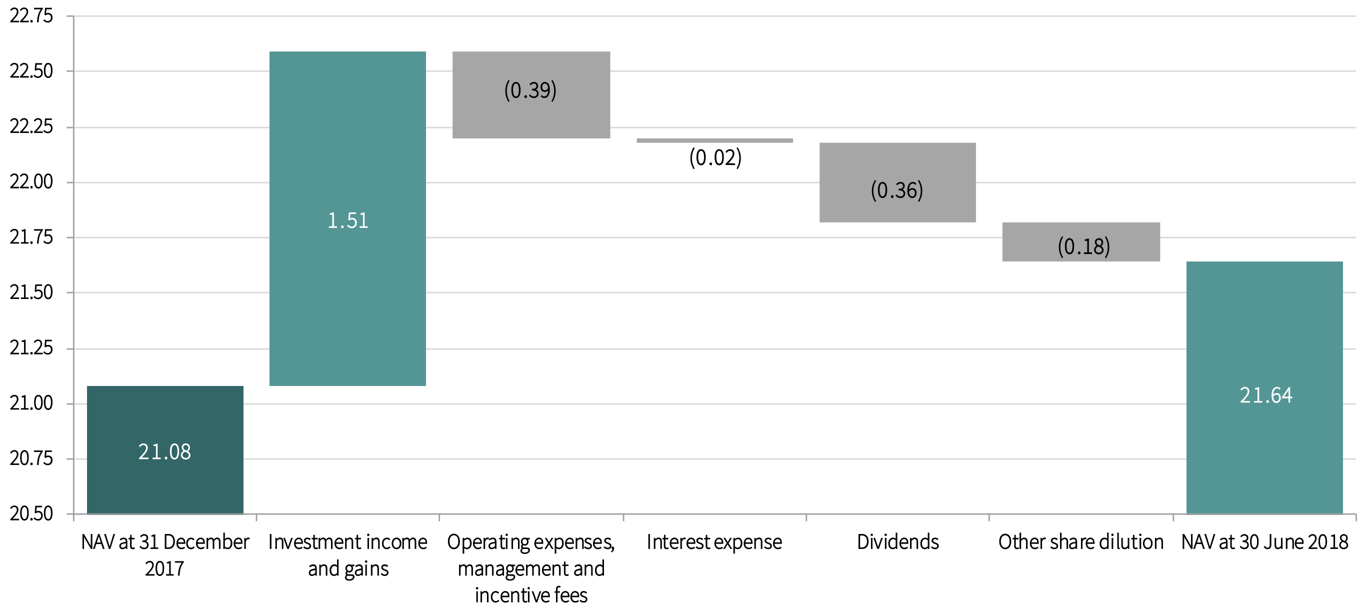
Investment Review

NAV Per Share

Tetragon's fully diluted NAV per share increased from $21.08 per share as at 31 December 2017 to $21.64 per share as at 30 June 2018. Figure 6 below shows the contributions to that performance.

FIGURE 6

NAV Per Share Progression 31 December 2017-30 June 2018 (USD)(i)



(i) Progression from 31 December 2017 to 30 June 2018 is an aggregate of each of the six months' NAV progressions. All of the aggregate monthly fully diluted NAV per share movements in the table are determined by reference to the fully diluted share count at the start of each month.

Net Asset Breakdown Summary

Net Asset Breakdown Summary

The table shows a breakdown of the composition of Tetragon's NAV at 31 December 2017 and 30 June 2018, and the factors contributing to the changes in NAV over the period.

FIGURE 7

All figures below are in millions of U.S. dollars.

Asset Classes	NAV at 31 Dec 2017	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 30 June 2018
Private equity in asset management companies	430.7	-	(13.0)	72.5	490.2
Event-driven equities, distressed opportunities, convertible bonds and quantitative strategies	449.8	69.7	(102.5)	(2.0)	415.0
Bank loans	374.4	7.8	(63.0)	12.0	331.2
Real estate	162.3	18.1	(16.3)	30.2	194.3
Private equity	78.8	66.7	(11.7)	7.6	141.4
Other equities and credit(ii)	141.3	18.5	(26.9)	20.6	153.5
Net cash(iii)	357.2	-	(11.6)	3.7	349.3
Total	**1,994.5**	**180.8**	**(245.0)**	**144.6**	**2,074.9**

(i) Any gains or losses on foreign exchange hedging instruments attributable to a particular strategy or sub-asset class have been included in "additions" or "disposals/receipts" respectively. For example, where a hedging gain or loss is made, this will result in either cash being received or paid, or cash being receivable or payable, which is equivalent to a receipt or disposal.

(ii) Assets characterised as "other equities & credit" consist of investment assets held directly on the balance sheet. For certain contracts for difference (CFD), gross value or required margin is used. Under IFRS, these CFDs are held at fair value which is the unrealised gain or loss at the reporting date. Payments and receipts on the CFDs have been netted off against each other.

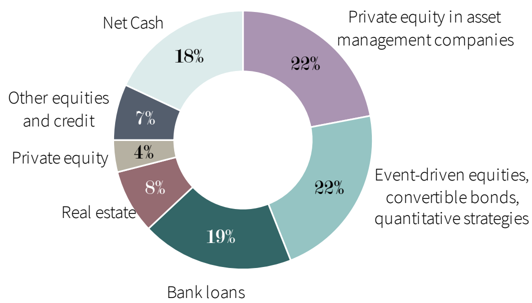
(iii) Net cash consists of: (1) cash held directly by the Tetragon Master Fund, (2) excess margin held by brokers associated with assets held directly by the Tetragon Master Fund and (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring significant tax and transfer costs, net of "Other Net Assets and Liabilities."

Net Asset Composition Summary

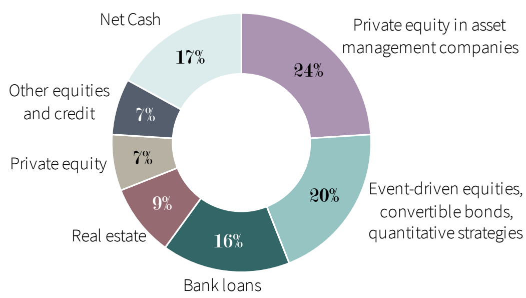
Figure 8 below shows Tetragon's asset class allocation at 30 June 2018 compared with 31 December 2017. During H1 2018, 'private equity in asset management companies' became the largest asset class.

FIGURE 8[(i)]

Net Asset Breakdown at 31 December 2017



Net Asset Breakdown at 30 June 2018



(i) Net cash consists of: (1) cash held directly by the Tetragon Master Fund, (2) excess margin held by brokers associated with assets held directly by the Tetragon Master Fund and (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring significant tax and transfer costs, net of "Other Net Assets and Liabilities."

Top 10 Holdings by Value as of 30 June 2018

FIGURE 9

	Holding	Asset Class	Value ($millions)	% of NAV
1	Polygon European Equity Opportunity Fund	Event-driven equities	266.2	12.8%
2	Equitix	Private equity in asset management company	160.4	7.7%
3	LCM	Private equity in asset management company	153.7	7.4%
4	GreenOak Real Estate	Private equity in asset management company	106.0	5.1%
5	Polygon Convertible Opportunity Fund	Convertible bonds	75.8	3.7%
6	TCI II	Bank loans	65.6	3.2%
7	Polygon	Private equity in asset management company	58.9	2.8%
8	QT Fund Ltd	Quantitative strategies	51.9	2.5%
9	Private investment	Private equity	49.9	2.4%
10	Public European equity	Other equities	44.8	2.2%
	Total			**49.8%**

Detailed Investment Review

Figure 10 breaks out more detail showing the effect of capital flows and performance gains and losses on the NAV of each asset class during H1 2018; more detailed commentary for each asset class follows.

FIGURE 10

Asset Class	NAV at 31 Dec 2017 ($ millions)	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 30 Jun 2018 ($ millions)	% of NAV
Private equity in asset management companies						
Equitix	152.2	-	(5.1)	13.3	160.4	7.7%
LCM	144.3	-	(0.2)	9.6	153.7	7.4%
GreenOak	69.6	-	(7.7)	44.1	106.0	5.1%
Polygon	56.0	-	-	2.9	58.9	2.8%
TCIP	7.8	-	-	2.6	10.4	0.5%
Hawke's Point	0.8	-	-	-	0.8	0.0%
Event-driven equities						
Polygon European Equity Opportunity Fund	234.8	25.0	-	6.4	266.2	12.8%
Polygon Global Equities Fund	19.6	-	-	1.5	21.1	1.0%
Distressed opportunities						
Polygon Distressed Opportunities Fund	114.6	-	(102.5)	(12.1)	-	0.0%
Convertible bonds						
Polygon Convertible Opportunity Fund	55.3	20.0	-	0.5	75.8	3.7%
Quantitative strategies						
QT Fund Ltd	25.5	24.7	-	1.7	51.9	2.5%
Bank Loans						
U.S. CLOs (LCM)	191.9	7.8	(16.2)	3.5	187.0	9.0%
U.S. CLOs (non-LCM)	107.1	-	(34.5)	5.7	78.3	3.8%
TCI II	68.1	-	(5.0)	2.5	65.6	3.2%
European CLOs	7.3	-	(7.3)	0.3	0.3	0.0%
Real estate						
GreenOak U.S. funds & co-investments	55.1	4.7	(0.9)	0.7	59.6	2.9%
GreenOak Europe funds & co-investments	47.7	11.3	(9.5)	6.0	55.5	2.7%
Other real estate	29.4	0.3	-	12.0	41.7	2.0%
GreenOak Asia funds & co-investments	23.9	0.1	(2.8)	11.3	32.5	1.6%
GreenOak debt funds	6.2	1.7	(3.1)	0.2	5.0	0.2%
Private equity						
Direct	43.6	40.0	-	8.0	91.6	4.4%
Funds & co-investments	35.2	26.7	(11.7)	(0.4)	49.8	2.4%
Other equities & credit(ii)						
Other equities	107.3	15.6	(23.5)	29.5	128.9	6.2%
Other credit	34.0	2.9	(3.4)	(8.9)	24.6	1.2%
Cash						
Net cash(iii)	357.2	-	(11.6)	3.7	349.3	16.8%
Total	**1,994.5**	**180.8**	**(245.0)**	**144.6**	**2,074.9**	**100.0%**

(i) Any gains or losses on foreign exchange hedging instruments attributable to a particular strategy or sub-asset class have been included in "additions" or "disposals/ receipts" respectively. For example, where a hedging gain or loss is made, this will result in either cash being received or paid, or cash being receivable or payable, which is equivalent to a receipt or disposal.

(ii) Assets characterised as "other equities & credit" consist of investment assets held directly on the balance sheet. For certain contracts for difference (CFD), gross value or required margin is used. Under IFRS, these CFDs are held at fair value which is the unrealised gain or loss at the reporting date.

(iii) Net cash consists of: (1) cash held directly by the Tetragon Master Fund, (2) excess margin held by brokers associated with assets held directly by the Tetragon Master Fund and (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring significant tax and transfer costs, net of "Other Net Assets and Liabilities."

Private equity in asset management companies

Tetragon's investments in private equity stakes in asset management companies, through TFG Asset Management, comprises a diverse portfolio of alternative asset managers. This segment recorded an investment gain of $72.5 million during the first half of 2018, with positive contributions from all of the businesses that were revalued.

- GreenOak: The investment in GreenOak recorded a gain of $44.1 million, comprising receipt of carried interest, the first non-carry distribution and significant valuation gains. The latter was due to strong GreenOak performance as increased AUM (particularly in U.S. Fund III and Europe Fund II) flowed through to a much higher than previously expected full year 2017 EBITDA and a significant increase in the budgeted profitability in 2018.
- Equitix: Tetragon's investment in Equitix made a positive contribution of $13.3 million, due to a combination of interest accruing on Tetragon's debt funding, and an increase in valuation. The latter was mainly driven by improved capital raising projections with respect to Fund V, which had its first close in early July.
- LCM[1]: LCM recorded a gain of $9.6 million, virtually entirely valuation gains. The business continued to perform well, with a continuation of its ability to issue deals and raise capital, with a lower than market average default rate; LCM's EBITDA for the period was ahead of forecast.
- Polygon: Tetragon's investment in Polygon recorded an investment gain of $2.9 million, reflecting primarily an increase in assets under management in the Polygon Convertible Opportunity Fund as well as a slight decrease in the discount rate applied to its discounted cashflow model.
- TCIP[2]: Tetragon's investment in TCIP recorded a gain of $2.6 million for the period, driven by the incorporation into the valuation of the first close of $254.8 million for TCI III[3].
- Hawke's Point[4]: The NAV of this business currently remains small, and the valuation is unchanged since December 2017.

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

(2) Tetragon Credit Income Partners Limited, referred to in this report as "TCIP", is the holding company of the general partner entities for the TCI II and TCI III investment vehicles.

(3) Tetragon Credit Income III L.P.

(4) Hawke's Point Manager LP, an asset management company focused on mining finance, referred to in this report as "Hawke's Point".

Please see Note 4 in the 2017 Tetragon Financial Group Master Fund Limited financial statements for further details on the basis for determining the fair value of the TFG Asset Management investment. Additionally, for further colour on the underlying performance of the asset managers please see Figure 18 for TFG Asset Management's *pro forma* operating results and associated commentary.

Event-driven equities, convertible bonds and quantitative strategies

Tetragon invests in event-driven equities, convertible bonds and quantitative strategies through hedge funds. At 30 June 2018, these investments are primarily through Polygon-managed hedge funds.

Event-driven equities

- Polygon European Equity Opportunity Fund: This investment, which focuses on event-driven European equity strategies, represents Tetragon's largest position and recorded a gain of $6.4 million during H1 2018. Tetragon added $25.0 million to this position during the period. The fund's net performance in its flagship Class A shares was up 2.35% year-to-date through 30 June 2018, amid a backdrop of volatile European markets, trading nervously around the Italian political situation and worries about a potential global trade war. Trades focusing on announced mergers & acquisitions situations continued to be the best-performing positions in the portfolio and they remained the largest strategy type in the fund at approximately 48% of the book at 30 June.
- Polygon Global Equities Fund: Tetragon's investment generated a gain of $1.5 million during H1 2018; the fund was up 11.4% net year to date driven by positive aftermarket performance in various global IPO investments, and an active deal calendar. Tetragon's allocation to this strategy remains small in relation to its other hedge fund investments.

Convertible bonds

- Polygon Convertible Opportunity Fund: Tetragon's investment in this fund generated a small gain during the first half. Performance was affected by a negative event in a distressed trade in March. In addition, a large number of new issues, particularly in the United States, has led to a cheapening of bond prices, although we believe that the increased number of securities in the convertible market will lead to an improved opportunity set going forward. Natural resource trades generated some gains in the portfolio towards the latter part of the period.

Quantitative Strategies

- QT Fund Ltd: Tetragon's investment in this third party-managed quantitative hedge fund recorded a gain of $1.7 million during H1 2018. Tetragon added $24.7 million to its position during the period. The QT Fund aims to deliver uncorrelated, low volatility returns by developing and deploying systematic data-driven investment strategies and is managed by a team at Credit Suisse.

Bank loans

Tetragon invests in bank loans through CLOs by taking majority positions in the equity tranches. Continuing from the themes of 2017, the underlying bank loan assets in Tetragon's CLO investment portfolio saw further spread tightening in the first half of 2018. As of the end of June 2018, the average asset spread for Tetragon's direct CLO portfolio was 309 bps over LIBOR. Credit losses remained low relative to original expectations at the time of underwriting, with Tetragon's trailing 12-month loan default rate for its directly held CLO investments ending H1 2018 at 1.7%, down marginally from year-end 2017.(5) This compares to the broader U.S. market's default rate of 2.0%.(6)

We continue to view CLOs as an attractive tool to gain long-term exposure to the bank loan asset class and we believe that taking majority equity positions may allow Tetragon to enhance its returns by controlling optional redemptions, refinancings, indenture amendments, and other certain CLO structural features.

- U.S. CLOs (LCM): LCM CLOs produced $3.5 million of income in H1 2018 and all LCM CLO transactions were compliant with their junior-most overcollateralisation tests ("O/C") tests as of this reporting period.(7)

  During the first half of 2018, Tetragon made add-on investments in the equity tranche of two LCM-managed CLOs that were "reset" (restructuring of an existing CLO that refinances its liabilities and increases the duration of the reinvestment period and structure). We believe such CLO "resets" may enhance the long-term return of the equity tranches by increasing the duration of the "arbitrage." Tetragon additionally made a small investment in the minority of the equity tranche of a LCM-managed CLO.(8)

  We expect to make most of our new issue LCM CLO equity investments via the TCIP platform, but continue to look for opportunities to optimise the capital structures of existing LCM CLOs (whether through a refinancing of the debt tranches or a "reset") or to make new issue investments directly, when appropriate.

- U.S. CLOs (non-LCM): Non-LCM-managed CLOs generated $5.7 million of income in H1 2018. The fair value of this segment declined by more than 20% from the prior year-end, primarily driven by the natural amortisation of deals and our exercise of optional redemption rights. As of the end of H1 2018, all non-LCM CLOs were compliant with their junior-most overcollateralisation tests.(9) No new non-LCM investments or "reset" transactions were made by Tetragon directly in H1 2018, and we expect to make most of our new issue non-LCM CLO equity investments via the TCIP platform.

- TCI II(10) and TCI III(11): TCI II and TCI III are the CLO investment vehicles established by TCIP, a 100% owned subsidiary of TFG Asset Management. As of 30 June 2018, Tetragon's commitment to TCI II was $70.0 million, which was fully funded. During H1 2018, Tetragon's investment in TCI II generated $2.5 million in income. During the period, TCI II had a successful partial refinancing of the debt tranches of one of its CLOs which, all things equal, would increase the cash generation ability of that CLO's equity tranche by $2.3 million per year (6.4% of the equity notional). We believe TCI II may seek to refinance additional transactions during 2018.

  As of 30 June 2018, Tetragon's commitment to TCI III was $65.0 million, which is currently undrawn. At 30 June 2018, TCI III had made (or in the case of a transaction that had priced, but not closed, had a commitment to make) investments in two majority equity investments in CLOs.

- European CLOs: European CLOs had income of $0.3 million in H1 2018. This segment of the CLO portfolio had largely wound down by the end of June 2018.

(5) Based on the most recent trustee reports available as of 30 June 2018.

(6) Source: S&P/LCD Quarterly Review Q2 2018.

(7) Based on the most recent trustee reports available as of 30 June 2018. Throughout this report, we refer to overcollateralisation or "O/C" tests, which are CLO-specific tests that measure the par amount of underlying CLO collateral (adjusted in certain cases for defaults or other "stressed" asset types) against the par value of the rated CLO debt tranches. The failure of an overcollateralisation test generally results in the temporary cessation of cash flows to the CLO's equity tranche.

(8) Tetragon purchased 5% of the debt and equity tranches of this CLO in order to comply with the U.S. risk retention rules which were applicable at the time of investment. The purchase cost of the debt tranches were financed by a third party provider.

(9) Based on the most recent trustee reports available as of 30 June 2018.

(10) Tetragon Credit Income II L.P.

(11) Tetragon Credit Income III L.P.

Real estate

Tetragon holds most of its investments in real estate through GreenOak-managed funds and co-investment vehicles. The majority of these GreenOak funds are private equity-style vehicles concentrating on opportunistic investments targeting middle-market opportunities in the United States, Europe and Asia, where GreenOak believes it can increase value and produce positive unlevered returns by sourcing off-market opportunities where it sees pricing discounts and market inefficiencies.

- GreenOak U.S. funds and co-investments: In the United States, GreenOak seeks to identify market dislocation and inefficiencies in major coastal gateway cities where it can acquire underperforming assets in dynamic submarkets. Property types have included office, multifamily, retail and hotel properties in New York, Los Angeles, Boston, San Francisco, Washington, D.C. and Miami. In H1 2018, these investments generated net income of $0.7 million for Tetragon, driven primarily by an upward revaluation of certain investment properties in U.S. Fund II.
- GreenOak Europe funds and co-investments: GreenOak's Europe-focused products primarily target distressed opportunities and deep value acquisitions in markets with solid underlying fundamentals. The majority of assets acquired by GreenOak's European team since the firm's inception are concentrated in London, Madrid, Barcelona and Milan, with the remaining assets located in other established cities throughout Spain and the United Kingdom. Many of the investments focus on office space and logistics. In H1 2018 these investments generated gains of $6.0 million, primarily driven by the successful refinancing of a Madrid-based commercial property, along with upward revaluations of assets in the Europe II fund as well as a standalone U.K. property investment.
- GreenOak Asia funds and co-investments: The Asia-focused GreenOak investments primarily target investment opportunities in Tokyo and other major urban markets in Japan, focusing on balance sheet restructurings and other distress-related factors that motivate sellers. With gains of $11.3 million, Asia-based investments were the most significant drivers of Tetragon's investment gains in GreenOak funds during H1 2018. Upwards revaluations of Razorback and Asia II were the main contributors.
- GreenOak debt funds: GreenOak provides loans secured by commercial real estate throughout the United Kingdom and Europe and focuses on transitional assets or locations; repositioning or redeveloping plays; rapid reaction debt; higher leverage loans and subordinated loans. Tetragon's investments in this segment are currently small relative to its other real estate investments; $0.2 million of gains were generated in the first half of 2018.
- Other real estate: In addition to the commercial real estate investments through GreenOak-managed real estate funds, Tetragon also has investments in commercial farmland in Paraguay managed by Scimitar, a specialist manager in South American farmland. During H1 2018, the farmlands were valued by an independent valuation specialist, with a gain of $12.0 million reflecting the first stage of the execution of the strategy to transform cattle farms into crop farms with a higher value per hectare.

Private equity

Tetragon's private equity investments are split into sub-categories of "direct", comprising investments on the balance sheet, and "fund investments" where Tetragon invests as an LP in a fund or in an SPV as a co-investor.

- Direct: Investments in direct private equity stakes generated net income of $8.0 million in H1 2018. This category currently comprises several investments in growth companies in North America, one of which was added in Q2 2018. This segment now represents 4.4% of NAV.
- Funds: At 30 June 2018, Tetragon had a small (2.4% of NAV) allocation to investments in private equity funds and co-investment vehicles. This category generated a loss of $0.4 million in H1 2018.

Other equities and credit

Most of Tetragon's investments are made either through investment vehicles managed externally or by managers within TFG Asset Management. However, occasionally Tetragon will make investments directly on its balance sheet reflecting single strategy ideas: either co-investing with some of its underlying managers or simply idiosyncratic investments which it believes are attractive, but may be unsuitable for inclusion in TFG Asset Management vehicles. We believe this ability to invest flexibly is a benefit of Tetragon's structure. This category was a strong performer in H1 2018, with total gains of $20.6 million.

(continued)

- Other equities: This segment generated gains of $29.5 million, with all but one of seven investments generating positive returns. These investments comprised European and U.S.-listed public equities.
- Other credit: This generated a loss of $8.9 million in the period, with one of the two investments in the segment giving back all of the gains that it had made in 2017. This position, a distressed credit trade, has been sold.

Cash

Tetragon's net cash balance, which is cash adjusted for net liabilities, was $349.3 million at 30 June 2018. Approximately 60% of the cash is held in secured arrangements. The remaining balance is held in unsecured arrangements, with Tetragon's operating cash balance held at State Street. All of Tetragon's cash is held at highly rated banking institutions, in on-demand arrangements, thereby ensuring that it is not exposed to any term risk.

The company actively manages its cash levels to cover future commitments and to enable it to capitalise on opportunistic investments and new business opportunities. During H1 2018, the company used $180.8 million of cash to make investments and $24.0 million to pay dividends. Future cash commitments are approximately $262.3 million, comprising: hard and soft investment commitments (GreenOak $118.7 million, Hawke's Point $69.5 million, TCI III $65.0 million and third party managed private equity funds $9.1 million).

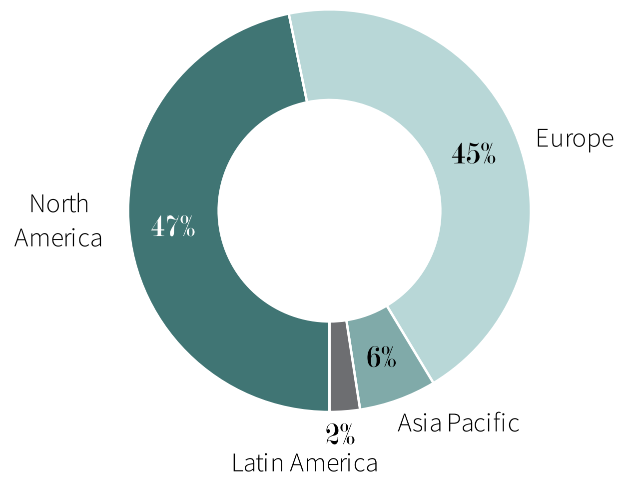
Tetragon has a $150.0 million revolving credit facility in place, of which $38.0 million has currently been drawn.

Further Portfolio Metrics

Geographic Exposure:

FIGURE 11

Geographical Exposure at 30 June 2018



Assumptions:

- Event-driven equities, convertible bonds, quantitative strategies, private equity and 'other equities and credit' investments are based on the geographies of the underlying portfolio assets.
- U.S. CLOs, TCI II and TCI III are 100% U.S.
- European CLOs are 100% Europe.
- GreenOak (TFG Asset Management) is treated as 1/3 Europe, 1/3 U.S., 1/3 Asia.
- Polygon (TFG Asset Management) is treated as 80% Europe, 20% U.S.
- LCM (TFG Asset Management) is treated as 100% U.S.
- Equitix (TFG Asset Management) is treated as 100% Europe.
- TCIP (TFG Asset Management) is treated as 100% U.S.

Currency Exposure:

Tetragon is a U.S. dollar-based fund and reports all of its metrics in U.S. dollars. All investments denominated in other currencies are hedged to U.S. dollars.

Financial Review

MIRIAM OSMAN
POLYGON

H1 2018 Financial Review

This section shows consolidated financial data for Tetragon and the Tetragon Master Fund.

Financial Highlights

FIGURE 12

Tetragon Financial Group Financial Highlights Through H1 2016 - H1 2018			
	H1 2018	**H1 2017**	**H1 2016**
Reported GAAP net income ($MM)	$104.3	$67.9	$40.3
Fair value net income ($MM)	$104.3	$70.0	$45.1
Reported GAAP EPS	$1.15	$0.77	$0.42
Fair value EPS	$1.15	$0.79	$0.47
Fair value return on equity	5.2%	3.6%	2.3%
Net assets ($MM)	$2,074.9	$1,981.8	$1,907.4
GAAP number of shares outstanding (MM)	91.2	90.5	87.5
NAV per share	$22.76	$21.91	$21.81
Fully diluted shares outstanding (MM)	95.9	98.0	95.6
Fully diluted NAV per share	$21.64	$20.22	$19.96
NAV per share total return	4.4%	2.8%	6.4%
DPS	$0.3575	$0.3475	$0.3325

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

- **Net Income ($104.3 million):** Please see Figure 13 for more details and a breakdown of the net income.
- **Return on Equity (5.2%):** Net Income ($104.3 million) divided by Net Assets at the start of the year ($1,994.5 million).
- **Fully Diluted Shares Outstanding (95.9 million):** Adjusts the IFRS or GAAP shares outstanding (91.2 million) for various dilutive factors (4.7 million shares). Please see Figure 20 for more details.
- **EPS ($1.15):** Calculated as Net Income ($104.3 million) divided by the time-weighted average IFRS or GAAP shares during the period (90.7 million).
- **Fully Diluted NAV Per Share ($21.64):** Calculated as net assets ($2,074.9 million) divided by fully diluted shares outstanding (95.9 million).

Consolidated Statement of Comprehensive Income

FIGURE 13

Tetragon Financial Group Consolidated Statement of Comprehensive Income H1 2017 - H1 2018	**H1 2018 ($millions)**	**H1 2017 ($millions)**
Net gain on financial assets at fair value through profit or loss	111.0	105.8
Net gain / (loss) on derivative financial assets and liabilities	29.9	(8.4)
Other income	3.7	2.1
Investment income	**144.6**	**99.5**
Management and incentive fees	(34.5)	(26.0)
Other operating and administrative expenses	(4.1)	(2.0)
Interest expense	(1.7)	(1.5)
Total operating expenses	**(40.3)**	**(29.5)**
Net income	**104.3**	**70.0**

This table shows a consolidated view of the comprehensive income for both Tetragon and the Tetragon Master Fund.

During the period, an incentive fee of $19.4 million was expensed, of which $14.7 million remains outstanding at 30 June 2018.

Consolidated Statement of Financial Position

FIGURE 14

Tetragon Financial Group Consolidated Statement of Financial Position as at 31 December 2017 and 30 June 2018	H1 2018 ($millions)	2017 ($millions)
ASSETS		
Investments	1,668.8	1,583.4
Cash and cash equivalents	385.0	395.5
Amounts due from brokers	40.0	57.2
Derivative financial assets	39.5	17.4
Other receivables	2.8	2.1
Total assets	**2,136.1**	**2,055.6**
LIABILITIES		
Other payables and accrued expenses	(16.2)	(16.5)
Loans and borrowings	(38.0)	(38.0)
Derivative financial liabilities	(7.0)	(6.6)
Total Liabilities	**(61.2)**	**(61.1)**
NET ASSETS	**2,074.9**	**1,994.5**

This table shows a consolidated view of the Financial Position of Tetragon and the Tetragon Master Fund.

Although the consolidated net assets are identical to the IFRS net assets reported by Tetragon Financial Group Limited, the split between investments and cash is different. Under IFRS, certain investments and cash contained within non-investment fund-controlled subsidiaries are aggregated as an investment and reported at fair value.

Instead, this table looks through to the underlying investments and cash, and accounts for each separately, at fair value. This approach has the impact of increasing cash by $31.2 million (2017: $30.0 million) and decreasing investments by the same amount. This treatment is consistent with how Tetragon has reported these investments in prior periods. The net assets of $2,074.9 million are after accruing for an incentive fee of $14.7 million.

Other Information

JASON DE BIASIO
SYSTEMS DEVELOPMENT

TFG Asset Management

One of Tetragon's significant investments is TFG Asset Management, a diversified alternative asset manager that owns majority and minority private equity stakes in asset management companies. As at 30 June 2018, TFG Asset Management comprised LCM, the GreenOak joint venture, Polygon, Equitix, Hawke's Point, TCIP and TCICM. TFG Asset Management has approximately $25.6 billion of AUM(1) and approximately 340 employees globally. Each of the asset managers on the platform is privately held.

FIGURE 15(1)

LCM™	LCM Asset Management – a CLO asset management company. **$7.4 billion**
GREENOAK™	The GreenOak Real Estate joint venture – a real estate-focused principal investing, lending and advisory firm. **$9.4 billion**
POLYGON™	Polygon Global Partners – a manager of open-ended hedge fund and private equity vehicles across a number of strategies. **$1.5 billion**
equitix™	Equitix – an integrated core infrastructure asset management and primary project platform. **$3.7 billion**
HAWKE'S POINT™ MINING FINANCE	Hawke's Point – an asset management company focused on mining finance that seeks to provide capital to companies in the mining and resource sectors. **$18.4 millon**
TCIP™	Tetragon Credit Income Partners (TCIP) – the holding company of the general partner entities of two private equity vehicles focusing on CLO investments, including majority stakes in CLO equity tranches. **$0.6 billion**
TCICM™	TCI Capital Management LLC (TCICM) – a CLO loan management business.(2) **$3.1 billion**

$26B

ASSETS UNDER MANAGEMENT(2)
30 June 2018

OFFICE LOCATIONS
London | New York
Plus GreenOak locations

340

APPROX HEADCOUNT
Including GreenOak

GLOBAL OPERATING PLATFORM

(1) 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. AUM 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 Global Equities Master Fund, Equitix, TCI II, TCI III and TCICM as calculated by the applicable administrators for value date 30 June 2018. Includes, where relevant, investments by the Tetragon Master Fund, TCI II and TCI III (in the case of LCM and TCICM). 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 TCIP also include committed capital. TCICM utilises 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..

(2) TCICM consists of TCI Capital Management II LLC and TCI Capital Management LLC, both of which are CLO managers.

TFG Asset Management Overview

Figure 16 shows the breakdown of the AUM by business and Figure 17 depicts the growth of that AUM over the last five years. AUM for TFG Asset Management as of 30 June 2018 totalled $25.6 billion.(i)

FIGURE 16(i)
TFG Asset Management AUM by Business at 30 June 2018 ($billions)

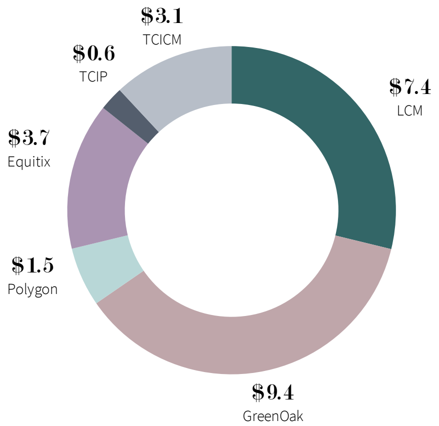
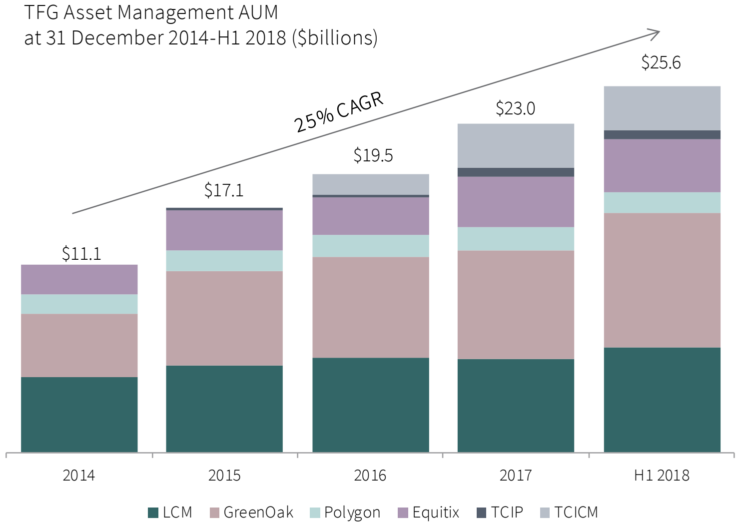


FIGURE 17(i)
TFG Asset Management AUM at 31 December 2014-H1 2018 ($billions)



(i) Please see Note 1 on page 29.

FIGURE 18

Tetragon Financial Group TFG Asset Management Pro Forma Statement of Operations(i) ($millions)			
	H1 2018	**H1 2017**	**H1 2016**
Management fee income	41.1	35.4	31.9
Performance and success fees(ii)	3.7	13.9	20.7
Other fee income	5.2	6.9	8.2
Distributions from GreenOak	8.1	2.7	2.0
Interest income	1.6	1.2	0.8
Total income	**59.7**	**60.1**	**63.6**
Operating, employee and administrative expenses	(40.4)	(37.4)	(40.9)
Minority interest	(2.0)	(2.3)	(3.1)
Net income - "EBITDA equivalent"	**17.3**	**20.4**	**19.6**

(i) This table includes the income and expenses attributable to Tetragon's majority owned businesses, Polygon, LCM, Equitix, Hawke's Point and TCIP during that period. In the case of Equitix, this only covers the period from 2 February 2015, the date of the closing of Tetragon's acquisition of Equitix. Although Tetragon 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 Tetragon backed out through the minority interest line. GreenOak's contribution has been included via the distributions that it has made to Tetragon during the applicable period. In prior reporting periods the GreenOak contribution had been excluded. The EBITDA equivalent is a non-GAAP measure and is designed to reflect the operating performance of the TFG Asset Management businesses rather than is or what was reflected in Tetragon's 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. Tetragon pays a mix of full and preferred fees on its investments in TFG Asset Management-managed investment vehicles. Tetragon pays full management and performance fees on its investments in the open Polygon funds. 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 Equitix is entitled to recover them.

- **Overview:** Figure 18 shows a *pro forma* statement of operations that reflects the operating performance of the majority-owned asset management companies within TFG Asset Management. For the first time, GreenOak's contribution has been captured by including the distributions that it has made to Tetragon and, for comparative purposes, prior periods have been updated accordingly. The fee income includes some amounts which were earned on capital invested in certain funds by Tetragon. During H1 2018, this included $3.9 million of management fees and $1.9 million of performance and success fees.
- **EBITDA:** In H1 2018, TFG Asset Management's EBITDA was $17.3 million, which is down slightly when compared with the same periods in 2017 and 2016. In spite of this reduction, the quality of income on both an absolute and relative basis continued to improve, with management fees growing to 68.8% of total income compared to 58.9% in H1 2017.
- **Management fee income:** As noted above, management fee income continued to grow, increasing by 16.1% against the same period in 2017, with the majority of businesses contributing to this growth. Of note, Equitix management fee income increased by $5.7 million as AUM continued to grow; TCIP earned increased fees as capital was put to work in TCI II and TCI III; and Hawke's Point also started to earn management fees.
- **Performance and success fees:** Unlike management fee income, performance and success fees can be quite volatile in nature and subject to timing differences, and this segment saw the biggest reduction compared to H1 last year, down $10.2 million. Equitix primary fee income declined by $5.3 million, which reflects partly timing and partly a reduction in the number of closed transactions, in addition to a reduction in performance fees. Polygon performance fees were $2.5 million lower, reflecting lower performance in the two largest funds. LCM performance fees were also down $1.2 million; CLO performance fees are typically back-ended and subject to an IRR hurdle, so this stream is particularly variable.
- **Other fee income:** This category, which includes a number of different income streams, was down $1.7 million compared to H1 2017. The main driver was the reduction by $2.3 million of certain cost recoveries from Tetragon relating to seeded Polygon hedge funds, in particular due to the closure of the Polygon Mining Opportunity Fund in 2017 and the Polygon Distressed Opportunities Fund in 2018. In addition, third-party CLO management fee income relating to certain U.S. CLO 1.0 transactions continued to decline as these transactions amortised down, accounting for a $0.5 million decline in the "other fee income" category. Partially offsetting these decreases, revenue generated by Equitix on certain management services contracts increased by $1.2 million period on period as this business continued to grow.
- **Operating expenses:** These continued to remain relatively stable when viewed across the H1 periods 2016-2018. Specifically, the increase from H1 2017 to H1 2018 of $3.0 million was driven by an increase in compensation expense within Equitix, reflecting headcount growth in that business.

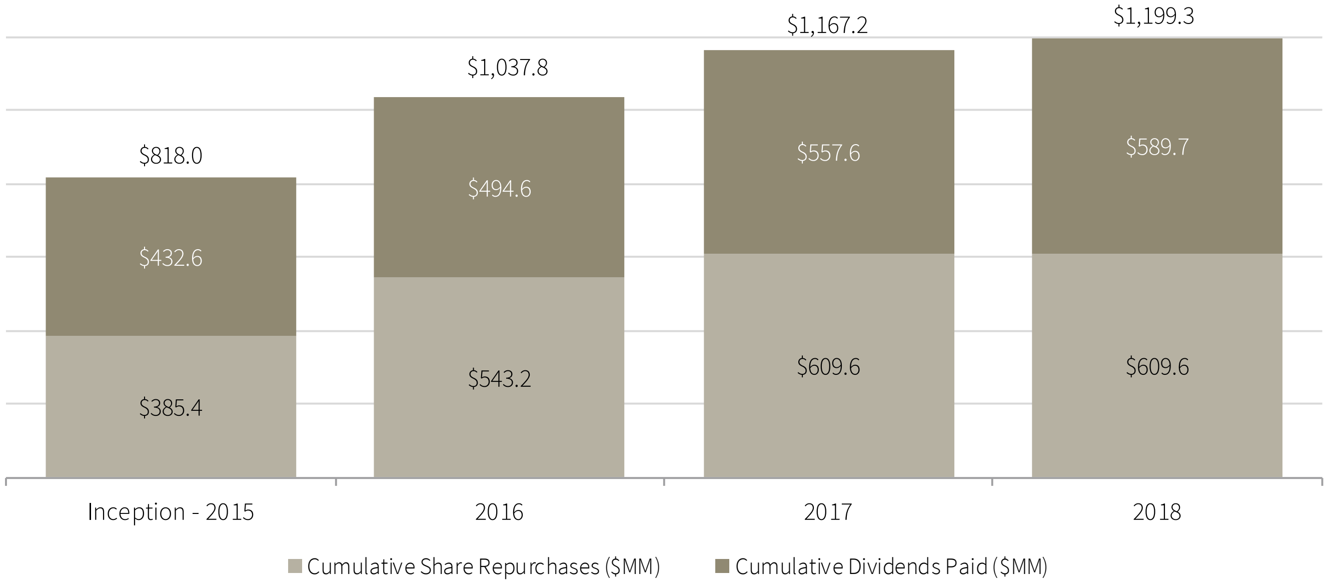
Share Repurchases & Distributions

FIGURE 19

Tetragon Financial Group Share Repurchase and Dividends History ($ millions)				
Year	**Amount Repurchased**	**Cumulative Amount Repurchased**	**Dividends paid**	**Cumulative dividends paid**
2007	$2.2	$2.2	$37.7	$37.7
2008	$12.4	$14.5	$75.5	$113.2
2009	$6.6	$21.2	$15.1	$128.3
2010	$25.5	$46.7	$34.2	$162.5
2011	$35.2	$81.9	$45.1	$207.6
2012	$175.6	$257.5	$50.3	$257.9
2013	$16.1	$273.6	$53.9	$311.7
2014	$50.9	$324.5	$58.4	$370.1
2015	$60.9	$385.4	$62.5	$432.6
2016	$157.8	$543.2	$61.9	$494.6
2017	$66.4	$609.6	$63.0	$557.6
2018	-	$609.6	$32.2	$589.7
TOTAL	**$609.6**		**$589.7**	

The below graph shows cumulative historical share repurchases and dividends distributed by Tetragon from inception to 30 June 2018 in millions of U.S. dollars.(1)

FIGURE 20



(1) Tetragon has engaged, and may 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 Tetragon's excess cash and an efficient means to return such 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. Tetragon also continues to explore other methods of improving the liquidity of its shares. Cumulative dividends paid includes the cash and stock dividends paid to shareholders, but excludes dividends declared on shares held in escrow.

Share Reconciliation and Shareholdings

FIGURE 21[1]

IFRS to Fully Diluted Shares Reconciliation	
	Shares at 30 June 2018 (millions)
Legal Shares Issued and Outstanding	**139.7**
Less: Shares Held in Treasury	40.0
Less: Total Escrow Shares[1.i]	8.5
IFRS Shares Outstanding	**91.2**
Add: Dilution for Share Options[1.ii]	0.2
Add: Certain Escrow Shares[1.iii]	2.2
Add: Dilution for equity-based awards[1.iv]	2.3
Fully Diluted Shares Outstanding	**95.9**

Shareholdings

Persons affiliated with Tetragon maintain significant interests in Tetragon shares. For example, as of 30 June 2018, the following persons own (directly or indirectly) interests in shares in Tetragon in the amounts set forth below:

FIGURE 22

Individual	Shareholding at 30 June 2018
Mr. Reade Griffith	12,199,659
Mr. Paddy Dear	4,101,276
Mr. David Wishnow	749,144
Mr. Jeff Herlyn	575,883
Mr. Michael Rosenberg	575,080
Mr. Rupert Dorey[2]	186,442
Mr. Frederic Hervouet	53,171
Mr. William Rogers	5,886
Other Tetragon/Polygon Employees	2,404,358
Equity-based awards[3]	5,062,113

(1.i) The Total Escrow Shares of 8.5 million consists of 6.3 million shares held in a separate escrow account in relation to equity-based compensation; 2.2 million shares held in a separate escrow account relating to deferred incentive fees payable to the manager.

(1.ii) 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 0.2 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) 325,686 (being a number of shares subject to the options). This approach has been selected because this reflects the way in which majority of the options have been exercised to date. Should the GreenOak Founders all separately choose to exercise and settle the gross amount of shares, the dilution amount would be 0.3 million shares.

(1.iii) This comprises 2.2 million shares held in a separate escrow account relating to deferred incentive fees payable to the manager.

(1.iv) Dilution in relation to equity-based awards by TFG Asset Management for certain senior employees. At the reporting date, this was 2.3 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. Please see Equity-Based Compensation Plans on page 37 for more details. 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 Tetragon shares in the market, or may otherwise sell their Vested Shares or purchase Tetragon shares, subject to applicable compliance policies. Applicable brokerage firms may be authorised to purchase or sell Tetragon 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 Tetragon in accordance with its applicable compliance policies.

(2) Includes amounts held by children in a shared household.

(3) Equity-based awards are intended to give certain senior employees of TFG Asset Management long-term exposure to Tetragon stock (with vesting subject to forfeiture and certain restrictions). Where shares have vested but not yet been released they have been removed from this line and included in shares owned by "Other Tetragon/Polygon employees". Please see page 37 for further details.

Additional CLO Portfolio Statistics

Tetragon's CLO Portfolio Details at 30 June 2018

FIGURE 23

Transaction[i]	Deal Type	Status[ii]	Primary or Secondary Investment[iii]	Original Invest. Cost ($MM USD)[iv]	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)[v]	Original Cost of Funds (bps)[vi]	Current Cost of Funds (bps)[vii]	Current Jr-Most O/C Cushion[viii]	Jr-Most O/C Cushion at Close[ix]	Annualized (Loss) Gain of Cushion[x]	IRR[xi]	ITD Cash Received as % of Cost[xii]
Transaction 47	U.S. CLO	Outstanding	Primary	28.3	2006	2021	2013	374	47	228	11.1%	4.3%	0.6%	23.5%	261.2%
Transaction 61	U.S. CLO	Called	Primary	29.1	2007	2021	2014	NA	45	NA	NA	4.0%	NA	18.4%	205.0%
Transaction 68	U.S. CLO	Outstanding	Primary	19.3	2006	2020	2013	206	48	225	64.8%	4.4%	5.2%	30.1%	322.8%
Transaction 69	U.S. CLO	Outstanding	Primary	28.2	2007	2019	2013	143	44	-	NA	5.6%	NA	28.8%	313.1%
Transaction 78	U.S. CLO	Outstanding	Primary	22.9	2012	2023	2015	255	217	281	13.4%	4.0%	1.5%	15.1%	113.6%
Transaction 81	U.S. CLO	Called	Primary	21.7	2012	2024	2016	NA	216	NA	NA	4.0%	NA	11.7%	113.7%
Transaction 83	U.S. CLO	Outstanding	Primary	20.8	2013	2029	2021	333	193	215	4.4%	6.2%	(0.3%)	12.7%	90.4%
Transaction 84	U.S. CLO	Outstanding	Primary	24.6	2013	2027	2021	315	183	199	3.4%	4.0%	(0.1%)	18.8%	107.6%
Transaction 85	U.S. CLO	Outstanding	Primary	1.0	2013	2031	2023	325	170	163	4.9%	5.0%	(0.0%)	10.0%	57.4%
Transaction 101	U.S. CLO	Outstanding	Primary	0.2	2018	2031	2023	325	163	163	4.9%	4.0%	13.7%	11.2%	0.0%
Transaction 87	U.S. CLO	Outstanding	Primary	23.0	2013	2026	2018	328	199	183	2.2%	4.0%	(0.4%)	0.2%	73.7%
Transaction 88	U.S. CLO	Outstanding	Primary	30.1	2014	2030	2022	308	199	179	3.2%	4.0%	(0.2%)	13.7%	79.5%
Transaction 96	U.S. CLO	Outstanding	Secondary	2.7	2017	2030	2022	308	199	179	3.2%	3.0%	0.2%	8.4%	11.8%
Transaction 97	U.S. CLO	Outstanding	Primary	9.9	2017	2030	2022	308	178	179	3.2%	3.9%	(0.7%)	11.0%	14.4%
Transaction 89	U.S. CLO	Outstanding	Primary	33.6	2014	2026	2018	302	195	146	2.4%	4.0%	(0.4%)	13.4%	82.2%
Transaction 90	U.S. CLO	Outstanding	Primary	20.7	2014	2026	2018	317	203	178	2.9%	4.0%	(0.3%)	11.8%	69.0%
Transaction 91	U.S. CLO	Outstanding	Primary	27.8	2015	2031	2023	311	215	148	4.5%	4.0%	0.1%	12.3%	61.3%
Transaction 92	U.S. CLO	Outstanding	Primary	34.6	2015	2027	2020	310	199	199	2.8%	4.0%	(0.4%)	11.6%	55.7%
Transaction 93	U.S. CLO	Outstanding	Secondary	6.1	2016	2031	2023	311	215	148	4.5%	3.6%	0.4%	16.5%	41.8%
Transaction 102	U.S. CLO	Outstanding	Primary	5.0	2018	2031	2023	311	148	148	4.5%	4.5%	0.0%	18.9%	0.0%
Transaction 94	U.S. CLO	Outstanding	Secondary	6.6	2016	2026	2018	302	195	146	2.4%	3.3%	(0.4%)	11.6%	46.0%
Transaction 95	U.S. CLO	Outstanding	Primary	2.6	2016	2029	2022	324	194	194	3.7%	4.4%	(0.5%)	10.2%	17.4%
Transaction 98	U.S. CLO	Outstanding	Primary	33.2	2017	2030	2022	312	178	178	4.1%	4.5%	(0.4%)	11.2%	20.3%
Transaction 100	U.S. CLO	Outstanding	Primary	2.6	2018	2031	2023	334	111	111	7.9%	7.8%	0.5%	25.6%	0.0%
Transaction 99	U.S. CLO	Outstanding	Primary	8.3	2017	2030	2022	333	164	164	4.5%	4.5%	(0.1%)	10.0%	33.7%
US CLO Subtotal:				442.9				297	160	176	7.9%	4.3%	0.2%	15.2%	116.8%
Total CLO Portfolio:				442.9				297	160	176	7.9%	4.3%	0.2%	15.2%	116.8%

Notes

(i) Transactions are investments made on a particular investment date. Multiple transactions may be associated with the same tranche of the same CLO deal. Note that certain transactions may have been removed from the table above, as the remaining value of the assets of those CLOs is immaterial. The transactions continue to be held as of the date of this report.

(ii) "Outstanding" refers to investments in CLOs which have not yet been optionally redeemed, sold, or wound down to less-than-material remaining expected value. "Called" refers to investments in CLOs where Tetragon initiated or approved an optional redemption, and "wound down" refers to CLOs which have amortised or repaid without an optional redemption, in both cases with less-than-material remaining expected value.

(iii) "Primary" refers to investments made in the new issuance CLO market, whereas "Secondary" refers to investments made after the original issue date of the CLO.

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

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

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

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

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

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

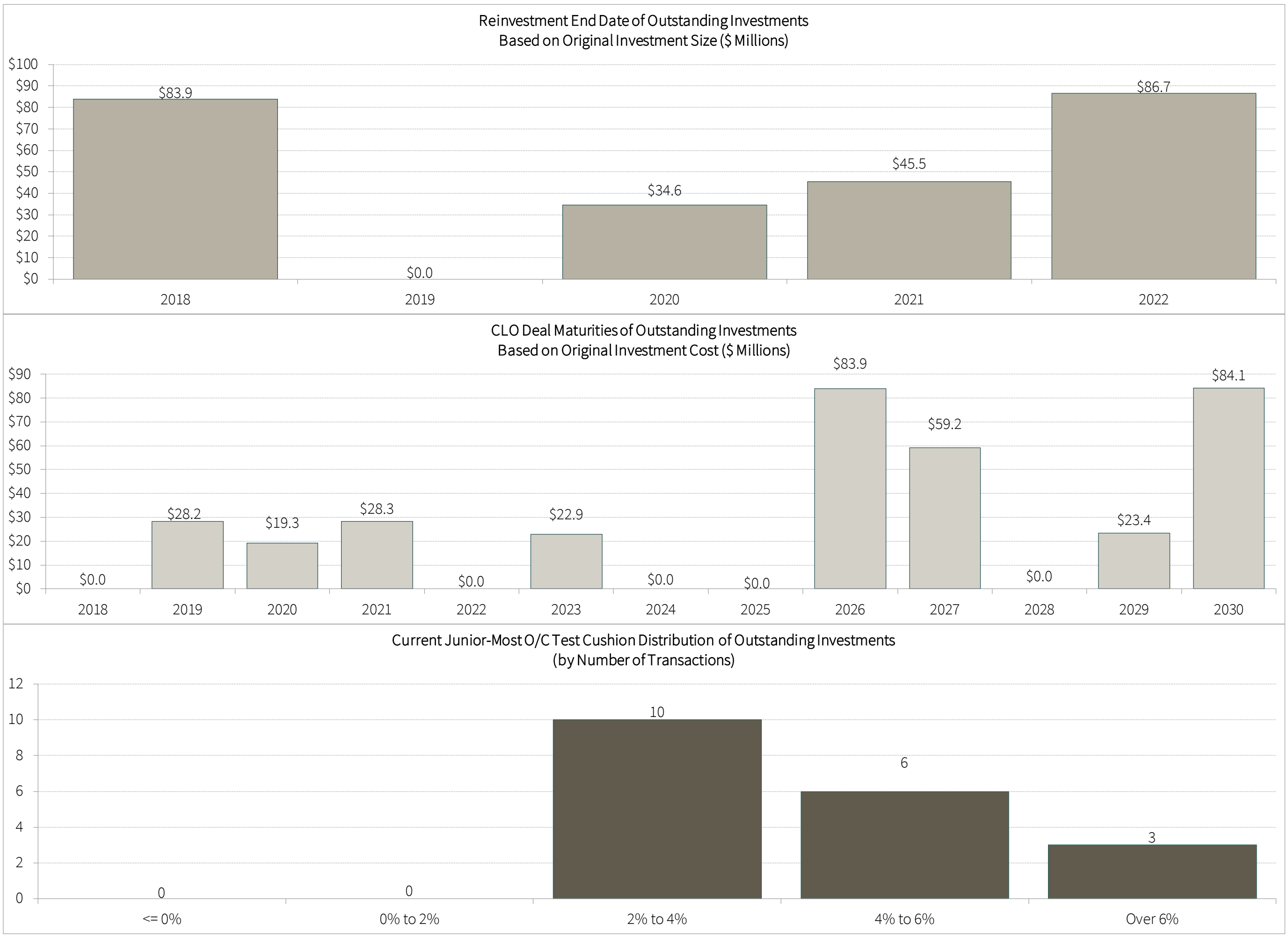
(x) Calculated by annualising the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

(xi) Calculated from Tetragon's investment date. For outstanding investments, includes both historical cash flows received to-date and prospective cash flows expected to be received, based on Tetragon's base case modelling assumptions. Refer to www.tetragoninv.com for more information on Tetragon's modelling assumptions and methodology. For all other investments, includes only historical realised cash flows received to date.

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

Additional CLO Portfolio Statistics (continued)

FIGURE 24



Certain Regulatory Information

This report (Semi-Annual Report) constitutes Tetragon's financial report as required pursuant to article 5:25d(1) of the Dutch Financial Markets Supervisions Act (the "FMSA"). This Semi-Annual 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 article 5:25m(6) of the FMSA. In addition, this report is also made available to the public by way of publication on the Tetragon website (www.tetragoninv.com). This Semi-Annual Report has not been audited or reviewed. Tetragon 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.

An investment in Tetragon 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 Tetragon.

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. Tetragon shares are subject to legal and other restrictions on resale and the Euronext Amsterdam 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 Tetragon 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 may adversely affect overall liquidity of the shares. Tetragon's shares have not been and will not be registered under the United States Securities Act of 1933. Consequently, Tetragon shares may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, "U.S. persons" as defined in Regulation S under the Securities Act absent registration or an exemption from registration under the Securities Act. No public offering of any Tetragon shares is being, or has been, made in the United States. In addition, Tetragon has not been and will not be registered under the United States Investment Company Act of 1940. Direct or indirect beneficial ownership of securities issued by Tetragon by any U.S. person who is not a "qualified purchaser" as defined in the Investment Company Act and applicable rules thereunder is prohibited. Under Tetragon's Articles of Incorporation, the directors of Tetragon may in certain circumstances compel the transfer of any Tetragon shares owned directly or beneficially by any person who is not a "qualified purchaser". Furthermore, Tetragon shares may not be held by any "benefit plan investor" that is subject to Title I of the United States Employee Retirement Income Security Act of 1974. Tetragon's Articles of Incorporation prohibit any "ERISA Person" from acquiring or holding Tetragon shares. The consequences of failing to comply with this prohibition include the divestment of the relevant shares and the forfeiture of any dividends previously received with respect to such shares, as well as any gains from their disposition.

Tetragon's shares are not intended for European retail investors. Tetragon anticipates that its typical investors will be institutional and professional investors who wish to invest for the long term in a predominantly income-producing investment and who have experience in investing in financial markets and collective investment undertakings and are capable themselves of evaluating the merits and risks of Tetragon shares and who have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment.

DIRECTORS' STATEMENTS

(Statement pursuant to Section 5:25d(2)(c) of the FMSA).

The directors of Tetragon confirm that the Tetragon management review for the six month period ended 30 June 2018 is included in the above report.

To the knowledge of the directors: (i) this Semi-Annual Report contains a fair review of the information required by 5:25d(2)(c)(2) of the FMSA and (ii) the financial statements in the accompanying unaudited interim report for the six month period ended 30 June 2018 for Tetragon have been prepared in accordance with applicable laws and in conformity with IFRS as adopted by the European Union and contain a fair review of that period.

Rupert Dorey (Independent Director)

David Jeffreys (Independent Director)

William P. Rogers, Jr. (Independent Director)

Reade Griffith (Director)

Paddy Dear (Director)

Equity-Based Compensation Plans

In the fourth quarter of 2015, Tetragon bought back approximately 5.65 million of its non-voting shares in a tender offer to hedge against (or otherwise offset the future impact of) grants of shares under an equity-based long-term incentive plan and other equity awards by TFG Asset Management for certain senior employees (excluding the principals of 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 Tetragon shares, but the shares are not issued to the employees. Such periods may range from one to five years beyond the vesting dates. The shares underlying these equity-based incentive programs typically will be held in escrow until they vest and will be eligible to receive shares under the Tetragon Optional Stock Dividend Plan (DRIP Shares).

As Tetragon has contributed these shares, under IFRS TFG Asset Management is considered to be the settling entity and as a result in Tetragons' accounts the imputed value of the shares contributed to escrow is recorded as a credit to a share based compensation reserve in the year in which the shares were acquired for this purpose. For the purposes of determining the fully diluted NAV per share, the dilutive effect of the equity-based compensation plans will be reflected in the 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 30 June 2018, approximately 2.3 million shares were included in the fully diluted share count.

Shareholder Information

Registered Office of Tetragon and the Tetragon Master Fund
Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
1st Floor Dorey Court
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Channel Islands GY1 6HJ

Investment Manager
Tetragon Financial Management LP
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New York, NY 10022
United States of America

General Partner of Investment Manager
Tetragon Financial Management GP LLC
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St. Peter Port, Guernsey
Channel Islands GY1 1WR

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

Sub-Registrar and CREST Transfer Agent
Computershare Investor Services (Guernsey) Limited
1st Floor, Tudor House
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St Peter Port, Guernsey
Channel Islands GY1 1DB

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New York, NY 10018-1405
United States of America

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

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

Stock Listing

- Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.
- London Stock Exchange (Specialist Fund Segment)

Unaudited Condensed Financial Statements

RICHARD DEBOHUN
FINANCE

UNAUDITED CONDENSED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 JUNE 2018

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2018

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	30 Jun 2018 US$ MM	31 Dec 2017 US$ MM
Assets			
Financial asset at fair value through profit or loss	4	2,089.6	2,008.4
Total assets		2,089.6	2,008.4
Liabilities			
Accrued incentive fee	5	14.7	13.9
Total liabilities		14.7	13.9
Net assets		2,074.9	1,994.5
Equity			
Share capital		0.1	0.1
Other equity		817.2	808.9
Capital reserve in respect of share options		0.1	0.1
Share-based employee compensation reserve		80.7	80.7
Retained earnings		1,176.8	1,104.7
		2,074.9	1,994.5
Shares outstanding		Millions	Millions
Number of shares		91.2	90.1
Net Asset Value per share		US$ 22.76	US$ 22.13

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: 30 July 2018

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2018

	Note	Period ended 30 Jun 2018 US$ MM	Period ended 30 Jun 2017 US$ MM
Net gain on financial asset at fair value through profit or loss	4	123.7	79.3
Total revenue		123.7	79.3
Incentive fee	5	(19.4)	(11.4)
Total operating expenses		(19.4)	(11.4)
Profit and total comprehensive income for the period		104.3	67.9
Earnings per Share			
Basic		US$ 1.15	US$ 0.77
Diluted		US$ 1.05	US$ 0.67
Weighted average shares outstanding		Millions	Millions
Basic	9	90.7	88.4
Diluted	9	99.4	100.7

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2018

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital reserve US$ MM	Share-based compensation reserve US$ MM	Total US$ MM
As at 1 January 2018	0.1	808.9	1,104.7	0.1	80.7	1,994.5
Profit and total comprehensive income for the period	-	-	104.3	-	-	104.3
Transactions with owners recognised directly in equity						
Cash dividends	-	-	(24.0)	-	-	(24.0)
Stock dividends	-	8.2	(8.2)	-	-	-
Issue of shares	-	0.1	-	-	-	0.1
As at 30 June 2018	0.1	817.2	1,176.8	0.1	80.7	2,074.9

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital reserve US$ MM	Share-based compensation reserve US$ MM	Total US$ MM
As at 1 January 2017	0.1	813.5	1,009.3	12.0	100.0	1,934.9
Profit and total comprehensive income for the period	-	-	67.9	-	-	67.9
Transactions with owners recognised directly in equity						
Share-based employee compensation	-	-	-	-	2.1	2.1
Cash dividends	-	-	(23.2)	-	-	(23.2)
Stock dividends	-	7.5	(7.5)	-	-	-
Issue of shares	-	0.1	-	-	-	0.1
Capital reserve in respect of share options	-	11.9	-	(11.9)	-	-
As at 30 June 2017	0.1	833.0	1,046.5	0.1	102.1	1,981.8

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CASH FLOWS
For the period ended 30 June 2018

	Period ended 30 Jun 2018 US$ MM	Period ended 30 Jun 2017 US$ MM
Operating activities		
Dividends received from Master Fund to finance the dividend liability to Shareholders	24.0	23.2
Dividends received from Master Fund to settle the incentive fee liability	18.6	13.0
Incentive fee paid	(18.6)	(13.0)
	24.0	23.2
Financing activities		
Dividends paid to Shareholders*	(24.0)	(23.2)
	(24.0)	(23.2)
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$ 32.2 million (30 June 2017: US$ 30.7 million) with value equivalent to US$ 8.2 million (30 June 2017: US$ 7.5 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.

Note 1 Corporate Information

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

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

Note 2 Basis of Preparation

The unaudited condensed financial statements for the period ended 30 June 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") as endorsed by the European Union. The same accounting policies, presentation and methods of computation have been followed in these financial statements as were applied in the preparation of the Company's audited financial statements for the year ended 31 December 2017.

The unaudited condensed financial statements do not contain all of the information and disclosures required in a full set of annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements are presented in United States Dollars ("USD" or "US$"), which is the functional currency of the Company, expressed in USD millions (unless otherwise stated).

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

New standards and amendments to existing standards

IFRS 9 *Financial Instruments* ("IFRS 9") became effective for the periods beginning on or after 1 January 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of the financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The only asset held by the Company is the Master Fund which remains classified as fair value through profit or loss.

Note 3 Significant accounting judgments, estimates and assumptions

As explained in the audited financial statements for the year ended 31 December 2017, following areas contain a higher degree of judgment, assumptions or estimates that are significant to the financial statements:

- Investment entity status
- Measurement of fair values (see Note 4)

Note 4 Fair value measurement

Fair value hierarchy

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

Level 1 - Quoted in active markets for identical 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.

The Company's investment in the Master Fund is classified as Level 3 (31 December 2017: Level 3) due to the fact that the NAV of the Master Fund was not observable on the market.

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

Level 3 reconciliation

The following is a reconciliation of the Company's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 30 June 2018 and 31 December 2017.

	30 Jun 2018 US$ MM	31 Dec 2017 US$ MM
Balance at start of period	2,008.4	1,942.0
Additions	8.3	21.2
Proceeds	-	(66.4)
Gain on investment in the Master Fund	72.9	111.6
Balance at end of period	2,089.6	2,008.4
Unrealised gain for the period included in profit or loss for assets held at the end of the reporting period	72.9	111.6

Dividend income from the Master Fund amounted to US$ 42.6 million (30 June 2017: US$ 43.7 million). Total net gain on the Master Fund investment, including dividend income, amounted to US$ 123.7 million (30 June 2017: US$ 79.3 million).

Valuation technique

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

The Master Fund prepares its financial statements and NAV under IFRS and the period of the financial statements is co-terminus with the Company. As the value of the Master Fund is not based on a valuation model, no sensitivity analysis in respect of valuation model assumptions can be provided. Please refer to Note 4 of the Master Fund's financial statements for more information on valuation techniques and assumptions used to value the investments held by the Master Fund.

Note 5 Incentive Fee

The incentive fee for the period ended 30 June 2018 was US$ 19.4 million (30 June 2017: US$ 11.4 million). As at 30 June 2018, US$ 14.7 million was outstanding (31 December 2017: US$ 13.9 million).

Note 6 Share Capital

Share Transactions

	Voting Shares No.	Non-Voting Shares No. MM	Treasury Shares No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2017	10.0	87.1	43.3	9.3
Stock dividend	-	1.4	(1.8)	0.4
Issued through release of tranche of escrow shares	-	3.4	-	(3.4)
Issue through exercise of TFM options	-	2.4	(2.4)	-
Issue through exercise of GreenOak options	-	0.7	(0.7)	-
Shares transferred to escrow for deferred incentive fee	-	-	(2.0)	2.0
Shares purchased during the year	-	(4.9)	4.9	-
Shares in issue at 31 December 2017	10.0	90.1	41.3	8.3
Stock dividend	-	0.7	(0.9)	0.2
Issue through exercise of GreenOak options	-	0.4	(0.4)	-
Shares in issue at 30 June 2018	10.0	91.2	40.0	8.5

Note 7 Related-Party Transactions

There were no changes in the transactions or arrangements with related parties as described in the audited financial statements for the year ended 31 December 2017 that would have a material effect on the financial position or performance of the Fund for the period ended 30 June 2018 except for the following.

From Q1 2018, Frederic Hervouet has elected to take his full compensation as director in the form of cash instead of shares. William Rogers continues to receive shares in lieu of half of his compensation. During the period ended 30 June 2018, Frederic Hervouet and William Rogers received 1,912 and 1,948 shares respectively (30 June 2017: 4,019 and 1,009 shares respectively). The number of shares issued instead of the fee for the second quarter will be determined as part of the second quarter 2018 dividend process.

Reade Griffith, Paddy Dear, Rupert Dorey, Frederic Hervouet and William Rogers - all Directors of the Company and the Master Fund during the period – maintained (directly or indirectly) interests in shares of the Company as at 30 June 2018, with interests of 12,199,659, 4,101,276, 186,442, 53,171 and 5,886 shares respectively (31 December 2017: 11,868,998, 4,044,303, 160,812, 50,574 and 3,938 shares respectively).

Note 8 Dividends

	30 Jun 2018 US$ MM	31 Dec 2017 US$ MM
Quarter ended 31 December 2016 of US$ 0.1725 per share	-	15.1
Quarter ended 31 March 2017 of US$ 0.1725 per share	-	15.6
Quarter ended 30 June 2017 of US$ 0.1750 per share	-	15.8
Quarter ended 30 September 2017 of US$ 0.1750 per share	-	16.5
Quarter ended 31 December 2017 of US$ 0.1775 per share	16.1	-
Quarter ended 31 March 2018 of US$ 0.1775 per share	16.1	-
	32.2	63.0

The second quarter dividend of US$ 0.1800 per share was approved by the Directors on 30 July 2018 and has not been included as a liability in the financial statements.

Note 9 Earnings per Share

	Period ended 30 Jun 2018 US$ MM	Period ended 30 Jun 2017 US$ MM
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the period	104.3	67.9
Weighted average number of shares for the purposes of basic earnings per share	90.7	88.4
Effect of potential dilutive shares:		
Share-based employee compensation – TFG Asset Management acquisition	-	3.3
Share-based employee compensation – equity based awards	6.3	6.2
Share options	0.2	0.7
Deferred incentive fee shares	2.2	2.1
Weighted average number of shares for the purposes of diluted earnings per share	99.4	100.7

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

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

In respect of share options, the intrinsic value of the options is calculated using the 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.

Note 10 Segment information

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

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

All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

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

Region	30 Jun 2018	31 Dec 2017
North America	47.2%	49.5%
Europe	44.1%	42.8%
Asia	6.3%	5.9%
Latin America	2.4%	1.8%

Note 11 Share Options

As described further in the audited financial statements for the year ended 31 December 2017, the Company granted share options to GreenOak founding partners in 2010. During the period ended 30 June 2018, 0.4 million (30 June 2017: 0.4 million) shares with fair value at grant date of US$ 0.1 million (30 June 2017: US$ 0.1 million), were issued as a result of options being exercised. The weighted average price of the Company's shares was US$ 13.14 per share during the period ended 30 June 2018 (30 June 2017: US$ 12.47).

Note 12 Subsequent Events

The Directors have evaluated the period up to 30 July 2018, which is the date that the financial statements were approved, and have concluded that there are no material events that require disclosure or adjustment to the financial statements.

Note 13 Approval of Financial Statements

The Directors approved and authorised for issue the unaudited condensed financial statements on 30 July 2018.

UNAUDITED CONDENSED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 JUNE 2018

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2018

CONTENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	30 Jun 2018 US$ MM	31 Dec 2017 US$ MM
Assets			
Non-derivative financial assets at fair value through profit or loss	4	1,700.0	1,613.6
Derivative financial assets	4	39.5	17.4
Other receivables and prepayments		2.8	1.9
Amounts due from brokers		40.0	57.2
Cash and cash equivalents		353.8	365.5
Total assets		2,136.1	2,055.6
Liabilities			
Loans and borrowings		38.0	38.0
Derivative financial liabilities	4	7.0	6.6
Other payables and accrued expenses		1.5	2.6
Total liabilities		46.5	47.2
Net assets		2,089.6	2,008.4
Equity			
Share capital		0.1	0.1
Other equity		762.5	754.2
Retained earnings		1,327.0	1,254.1
		2,089.6	2,008.4
Shares outstanding		Millions	Millions
Number of shares	5	91.2	90.1
Net Asset Value per share		US$ 22.92	US$ 22.28

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: 30 July 2018

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2018

	Period ended 30 Jun 2018 US$ MM	Period ended 30 Jun 2017 US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	111.0	105.8
Net gain / (loss) on derivative financial assets and liabilities	29.9	(8.4)
Interest income	3.7	2.2
Net foreign exchange loss	-	(0.1)
Total revenue	144.6	99.5
Management fees	(15.1)	(14.6)
Share-based employee compensation	-	(2.1)
Legal and professional fees	(2.6)	(0.5)
Audit fees	(0.2)	(0.2)
Other operating and administrative expenses	(1.3)	(1.3)
Operating expenses	(19.2)	(18.7)
Operating profit before finance costs	125.4	80.8
Finance costs	(1.7)	(1.5)
Profit and total comprehensive income for the period	123.7	79.3

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2018

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2018	0.1	754.2	1,254.1	-	2,008.4
Profit and total comprehensive income for the period	-	-	123.7	-	123.7
Transactions with owners recognised directly in equity					
Stock dividends	-	8.2	(8.2)	-	-
Dividends paid to shareholders	-	-	(24.0)	-	(24.0)
Dividends paid to Feeder to settle incentive fee liability	-	-	(18.6)	-	(18.6)
Issue of shares	-	0.1	-	-	0.1
As at 30 June 2018	0.1	762.5	1,327.0	-	2,089.6

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital contribution US$ MM	Total US$ MM
As at 1 January 2017	0.1	772.5	1,151.9	17.5	1,942.0
Profit and total comprehensive income for the period	-	-	79.3	-	79.3
Transactions with owners recognised directly in equity					
Stock dividends	-	7.5	(7.5)	-	-
Share-based compensation	-	-	-	2.1	2.1
Dividends paid to shareholders	-	-	(23.2)	-	(23.2)
Dividends paid to Feeder to settle incentive fee liability	-	-	(13.0)	-	(13.0)
Issue of shares	-	0.1	-	-	0.1
As at 30 June 2017	0.1	780.1	1,187.5	19.6	1,987.3

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

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF CASH FLOWS
For the period ended 30 June 2018

	Period ended 30 Jun 2018 US$ MM	Period ended 30 Jun 2017 US$ MM
Operating activities		
Profit for the period	123.7	79.3
Adjustments for:		
Gains on investments and derivatives	(121.7)	(71.4)
Amortisation of CLOs	41.5	114.7
Share-based employee compensation	-	2.1
Operating cash flows before movements in working capital	43.5	124.7
Decrease / (Increase) in receivables	0.5	(0.7)
(Decrease) in payables	(1.4)	(1.3)
Decrease / (Increase) in amounts due from brokers	17.2	(22.9)
Cash generated from operating activities	59.8	99.8
Investing activities		
Proceeds from sale / prepayment / maturity of investments	125.2	51.0
Net proceeds on derivative financial instruments	20.6	9.1
Purchase of investments	(174.8)	(132.5)
Net cash used in investing activities	(29.0)	(72.4)
Financing activities		
Proceeds from issue of shares	0.1	0.1
Dividends paid to shareholders*	(24.0)	(23.2)
Dividends paid to Feeder to settle incentive fee liability	(18.6)	(13.0)
Net cash used in financing activities	(42.5)	(36.1)
Net decrease in cash and cash equivalents	(11.7)	(8.7)
Cash and cash equivalents at beginning of period	365.5	392.6
Cash and cash equivalents at end of period	353.8	383.9

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

* The gross dividend payable to shareholders was US$ 32.2 million (30 June 2017: US$ 30.7 million) with a value equivalent to US$ 8.2 million (30 June 2017: US$ 7.5 million) elected to be taken by the dividend recipients in shares rather than cash.

Note 1 Corporate 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 "Voting Shareholder"). All non-voting shares are held by Tetragon Financial Group Limited (the "Feeder"). 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.

Note 2 Basis of Preparation

The unaudited condensed financial statements for the period ended 30 June 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") as endorsed by the European Union. The same accounting policies, presentation and methods of computation have been followed in these financial statements as were applied in the preparation of the Fund's audited financial statements for the year ended 31 December 2017.

The unaudited condensed financial statements do not contain all of the information and disclosures required in a full set of annual financial statements and should be read in conjunction with the audited financial statements of the Fund for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements are presented in United States Dollars ("USD" or "US$"), which is the functional currency of the Fund, expressed in USD millions (unless otherwise noted).

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

New standards and amendments to existing standards

IFRS 9 *Financial Instruments* ("IFRS 9") became effective for the periods beginning on or after 1 January 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of the financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

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

Note 3 Significant Accounting Judgments, Estimates and Assumptions

As explained in the audited financial statements for the year ended 31 December 2017, following areas contain a higher degree of judgment, assumptions or estimates that are significant to the financial statements:

- Investment entity status
- Measurement of fair values (see Note 4)

Note 4 Financial Assets and Liabilities at Fair Value through Profit and Loss

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

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

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as at 30 June 2018:

	Level 1	Level 2	Level 3	Total
Non-derivative financial assets at FVTPL	US$ MM	US$ MM	US$ MM	US$ MM
CLO Equity Tranches	-	-	267.2	267.2
Loans and Corporate Bonds	-	24.6	-	24.6
Listed Stock	73.9	-	-	73.9
Unlisted Stock	-	-	90.2	90.2
Investment funds and vehicles	-	415.0	338.9	753.9
TFG Asset Management	-	-	490.2	490.2
Total non-derivative financial assets at FVTPL	73.9	439.6	1,186.5	1,700.0
Derivative financial assets at FVTPL				
Contracts for difference (asset)	-	-	21.6	21.6
Forward foreign exchange contracts (asset)	-	17.9	-	17.9
Total derivative financial assets at FVTPL	-	17.9	21.6	39.5
Derivative financial liabilities at FVTPL				
Contracts for difference (liability)	-	-	(5.6)	(5.6)
Forward foreign exchange contracts (liability)	-	(0.5)	-	(0.5)
Credit default swaps (liability)	-	(0.9)	-	(0.9)
Total derivative financial liabilities at FVTPL	-	(1.4)	(5.6)	(7.0)

Note 4 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as at 31 December 2017:

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

Transfers between levels

During the period ended 30 June 2018, one contract for difference position held at US$ 14.1 million at 31 December 2017 was transferred to level 3 from level 2. During the year ended 31 December 2017, an unlisted stock held at level 2 of US$ 18.3 million at 31 December 2016 was transferred to level 1 following its listing, and then remaining quoted on an active market.

Other financial assets and liabilities

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

Valuation process (framework)

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

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

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Level 3 reconciliation

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 30 June 2018.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of period	305.9	42.2	295.4	430.7	1,074.2
Purchases of investments	7.8	40.0	43.1	-	90.9
Proceeds from sale of investments	-	-	(23.1)	-	(23.1)
Realised (loss) / gain and change in unrealised (depreciation) / appreciation	(5.0)	8.0	23.5	59.5	86.0
Amortisation*	(41.5)	-	-	-	(41.5)
Balance at end of period	267.2	90.2	338.9	490.2	1,186.5
Unrealised gains and losses for the period included in profit or loss for assets held at the end of the reporting period	(13.7)	8.0	15.1	59.5	68.9

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 2017.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	443.7	25.0	234.2	407.8	1,110.7
Purchases of investments	54.0	15.2	149.2	-	218.4
Proceeds from sale of investments	-	(13.2)	(103.5)	(87.4)	(204.1)
Realised (loss) / gain and change in unrealised (depreciation) / appreciation	(0.6)	15.2	15.5	110.3	140.4
Amortisation*	(191.2)	-	-	-	(191.2)
Balance at end of year	305.9	42.2	295.4	430.7	1,074.2
Unrealised gains and losses for the period included in profit or loss for assets held at the end of the reporting period	51.7	10.9	(0.1)	101.4	163.9

* Amortisation for CLOs is the deemed repayment of principal

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

Note 4 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques

CLO equity tranches

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

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

As at 30 June 2018, key modelling assumptions used are disclosed below. The modelling assumptions disclosed below are a weighted average (by USD amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

U.S. CLO equity tranche investments

Constant Annual Default Rate ("CADR")	Approximately 2.2% (31 December 2017: 2.2%), which is 1.0x of the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	73% (31 December 2017: 73%), which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a. (31 December 2017: 20%), the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 304 bps (31 December 2017: 310 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.

European CLO equity tranche investments

Constant Annual Default Rate ("CADR")	Approximately 2.1% (31 December 2017: 2.1%), which is 1.0x of the original WARF-derived base-case default rate for the life of the transaction.
Recovery Rate	70% (31 December 2017: 69%), which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a. (31 December 2017: 20%), the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	All European deals are through their reinvestment period.

Note 4 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Valuation techniques (continued)

CLO equity tranches (continued)

When determining the fair value of the equity tranches, a discount rate is applied to the expected future cash flows derived from the third party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken. At 30 June 2018, a discount rate of 10% for U.S 1.0 deals (31 December 2017: 10%) and 11% for European deals (31 December 2017: 11%) has been utilised. At 30 June 2018, for US 2.0 deals the discount rate applied is 11% (31 December 2017: 11%) unless the deal is within its non-refinancing period, in which case the deal IRR is utilised as the discount rate. For deals in this category the weighted average IRR or discount rate is 11.8% (31 December 2017: 12.4%).

Sensitivity Analysis

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

	31 Jun 2018 US$ MM	31 Dec 2017 US$ MM
-1% discount rate	6.7	7.6
+1% discount rate	(6.3)	(7.2)

TFG Asset Management (private equity in asset management companies)

The Fund holds majority and minority private equity stakes in asset management companies that are part of TFG Asset Management. The valuation calculation for these investments was prepared by a third party valuation specialist engaged by the Fund's Audit Committee. Equitix and LCM are valued using combination of DCF approach and quoted market multiples ("Market Multiple Approach") based on comparable companies to determine an appropriate valuation range. GreenOak is valued using Market Multiple Approach and cross-checked using blended EBITDA. TCIP and Polygon are valued using DCF approach. An adjustment is made to account for the lack of liquidity ("DLOL"), generally in range of 15% to 20%.

Note 4 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

TFG Asset Management (private equity in asset management companies) (continued)

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

Investment	Valuation methodology	Significant unobservable inputs
Equitix	DCF and Market Multiples, Debt at par + accrued interest	Discount rate 9.00%, EBITDA multiple 7.00x, DLOL 15% (31 December 2017: 8.75%, 6.75x, 15%)
LCM	DCF and Market Multiples	Discount rate 11.0%, P/AUM multiple 2.1%, DLOL 15% (31 December 2017: 11.0%, 2.1%, 15%)
Polygon	DCF	Discount rate 12.25%, DLOL 20% (31 December 2017: 12.5%, 20%)
GreenOak	Market Multiples	Blended EBITDA multiple 11.1x (31 December 2017: 11.1x)
TCIP	DCF	Discount rate 11.0% (31 December 2017: 11.0%)

Note 4 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

TFG Asset Management (private equity in asset management companies) (continued)

Sensitivity Analysis

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

30 June 2018

Investment	Favorable	Unfavorable
Equitix	US$ 13.4m EBITDA multiple 7.50x, Discount rate 8.50%	(US$ 14.4m) EBITDA multiple 6.50x, Discount rate 9.50%
LCM	US$ 19.7m P/AUM multiple 2.4%, Discount rate 10.0%	(US$ 19.7m) P/AUM multiple 1.8%, Discount rate 12.0%
Polygon	US$ 6.1m Discount rate 11.25%	(US$ 6.1m) Discount rate 13.25%
GreenOak	US$ 6.2m EBITDA multiple 11.7x	(US$ 5.3m) EBITDA multiple 10.5x
TCIP	US$ 2.5m Discount factor 10.0%	(US$ 2.5m) Discount factor 12.0%

31 December 2017

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

Note 4 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Investment Funds and Vehicles

Investments in unlisted investment funds are valued utilising the net asset valuations provided by the managers of the underlying funds and / or their administrators, where based on management assessment these valuations are the fair value of these investments. In determining any adjustments necessary to the net asset valuations, management has considered the date of the valuation provided. No adjustment was deemed material following this review.

Sensitivity analysis

A 1% increase in net asset value of the funds included in level 3 will increase net assets and profits of the Fund by US$ 3.4 million (31 December 2017: US$ 3.0 million). A decrease in net asset value of the funds will have an equal and opposite effect.

Unlisted stock

The unlisted stock investment includes two private equity investments and these have been valued by reference to recently available data points. For the first investment, this includes an implied valuation by reference to a new round of funding. For the second investment, this includes fair value of an earn-out option based on forecast revenues.

A 1% increase in the value of unlisted stock included in level 3 will increase net assets and profits of the Fund by US$ 0.9 million (31 December 2017: US$ 0.4 million). A decrease in the value of unlisted stock will have an equal and opposite effect.

Listed stock

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

Loans and corporate bonds

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

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

Forward currency contracts and currency options

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

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

Note 4 Financial Assets and Liabilities at Fair Value through Profit and Loss (continued)

Contracts for difference

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

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

Credit default swaps

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

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

Note 5 Share Capital

Share Transactions

	Voting shares No.	Non-Voting shares* No. MM	Treasury shares No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2017	10.0	87.1	43.3	9.3
Stock dividends	-	1.4	(1.8)	0.4
Issued through release of tranche of escrow shares	-	3.4	-	(3.4)
Issue through exercise of TFM options	-	2.4	(2.4)	-
Issue through exercise of GreenOak options	-	0.7	(0.7)	-
Shares transferred to escrow for deferred incentive fee	-	-	(2.0)	2.0
Shares purchased during the year	-	(4.9)	4.9	-
Shares in issue at 31 December 2017	10.0	90.1	41.3	8.3
Stock dividends	-	0.7	(0.9)	0.2
Issue through exercise of GreenOak options	-	0.4	(0.4)	-
Shares in issue at 30 June 2018	10.0	91.2	40.0	8.5

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

Note 6 Dividends

	30 Jun 2018 US$ MM	31 Dec 2017 US$ MM
Quarter ended 31 December 2016 of US$ 0.1725 per share	-	15.1
Quarter ended 31 March 2017 of US$ 0.1725 per share	-	15.6
Quarter ended 30 June 2017 of US$ 0.1750 per share	-	15.8
Quarter ended 30 September 2017 of US$ 0.1750 per share	-	16.5
Quarter ended 31 December 2017 of US$ 0.1775 per share	16.1	-
Quarter ended 31 March 2018 of US$ 0.1775 per share	16.1	-
	32.2	63.0

The second quarter dividend of US$ 0.1800 (30 June 2017 US$ 0.1750) per share was approved by the Directors on 30 July 2018 and has not been included as a liability in these consolidated financial statements.

The Fund also pays a dividend to the Tetragon Financial Group Limited (the "Feeder") that is sufficient to pay its incentive fee liability. In the period ended 30 June 2018, US$ 18.6 million (30 June 2017: US$ 13.0 million) was paid.

Note 7 Contingencies and Commitments

The fund has the following unfunded commitments:

	31 Jun 2018 US$ MM	31 Dec 2017 US$ MM
GreenOak investment vehicles	118.7	126.0
TCI III	65.0	65.0
Private equity funds	9.1	8.6
	192.8	199.6

Note 8 Related-Party Transactions

There were no changes in the transactions or arrangements with related parties as described in the audited financial statements for the year ended 31 December 2017 that would have a material effect on the financial position or performance of the Fund for the period ended 30 June 2018 except for the following.

From Q1 2018, Frederic Hervouet has elected to take his full compensation as director in the form of cash instead of shares. William Rogers continues to receive shares in lieu of half of his compensation. During the period ended 30 June 2018, Frederic Hervouet and William Rogers received 1,912 and 1,948 shares respectively (30 June 2017: 4,019 and 1,009 shares respectively). The number of shares issued instead of the fee for the second quarter will be determined as part of the second quarter 2018 dividend process.

Note 9 Subsequent Events

The Directors have evaluated the period up to 30 July 2018, which is the date that the financial statements were approved, and have concluded that there are no material events that require disclosure or adjustment to the financial statements.

Note 10 Approval of Financial Statements

The Directors approved and authorised for issue the unaudited condensed financial statements on 30 July 2018.