PROSPECTUS

Tetragon Financial Group Limited

Offer of up to 30,000,000 Shares

This is a global offering of up to 30,000,000 non-voting shares of Tetragon Financial Group Limited, an investment company registered under the laws of Guernsey (the "Issuer", all of the non-voting shares of which are referred to as "Shares"). The global offering consists of (i) a public offering of Shares in the Netherlands; (ii) a global private placement of Shares to institutional and other sophisticated investors outside the United States in reliance on an exemption from registration provided by Regulation S ("Regulation S") under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and (iii) a private placement (which, in the case of offerings to AIs (as defined below), will be made directly by the Issuer) of certificated Shares in the United States to persons reasonably believed to be both (a) Qualified Purchasers ("QPs") as defined by the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") and (b) either (x) Qualified Institutional Buyers ("QIBs") as defined by Rule 144A ("Rule 144A") under the Securities Act or (y) Accredited Investors ("AIs") as defined by Rule 501 of Regulation D ("Regulation D") under the Securities Act that are existing investors in the Issuer or the U.S. Feeder Fund (as defined below) prior to the global offering. Current investors in the Issuer will have their existing shares modified to become Shares as described under "Part XII—Additional Information—The Issuer—Modification of Existing Shares and Exchange Provisions Relating to the U.S. Feeder Fund Interests". The minimum aggregate amount which a prospective investor may purchase in the global offering is $75,000.

No public market currently exists for the Shares. The Issuer will apply for the admission to trading of all of the Shares on the regulated market of Euronext Amsterdam N.V.'s Eurolist by Euronext ("Eurolist by Euronext Amsterdam"), and for the listing of its Shares under the symbol "TFG". It is expected that admission of all the Shares will become effective and that dealings in the Shares (other than those in certificated form) will commence on or about April 19, 2007 (the "Listing Date") on an "as-if-and-when-issued-or-delivered" basis and that delivery of the Shares (other than those in certificated form) will take place on or about April 26, 2007 (the "Settlement Date"). If closing of the global offering does not take place on the Settlement Date or at all, the global offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and all transactions in the Shares on Eurolist by Euronext Amsterdam will be cancelled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam N.V. does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the global offering or (the related) annulment of any transactions on Eurolist by Euronext Amsterdam.

OFFER PRICE: $10 PER SHARE

The Voting Shareholder (as defined below) has granted to the Joint Bookrunners (as defined below) an option (the "Over-allotment Option"), exercisable within 30 calendar days after the Listing Date, pursuant to which the Joint Bookrunners may require the Voting Shareholder to sell at the offer price of the Shares in the global offering (the "Offer Price"), less the Joint Bookrunners' commission, up to an additional 15% of the total number of Shares initially sold in the global offering to cover over-allotments, if any.

The number of Shares offered in the global offering may be changed prior to the Settlement Date, but the aggregate amount of the offering will not exceed $360 million (excluding the Over-allotment Option). Any change in the maximum number of Shares being offered in the global offering will be announced in a press release. The actual number of Shares offered in the global offering will be determined after taking into account the conditions and factors described in "The Offer", and will be published in a pricing statement and filed with The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the "AFM") and will be announced in a press release and an advertisement in at least one national newspaper distributed daily in the Netherlands and the Euronext Amsterdam Daily Official List *(Officiële Prijscourant)* on or about April 19, 2007.

This document constitutes a prospectus for the purposes of Article 3 of the Directive 2003/71/EC and has been prepared in accordance with Article 5:2 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht)* (the "FMSA") and the rules promulgated thereunder. This prospectus has been approved by and filed with the AFM.

Investing in the Shares involves risks. See "Risk Factors" beginning on page 13.

The Issuer and the joint bookrunners specified herein (the "Joint Bookrunners") reserve the right to reject any subscription or scale back any or all subscriptions as they in their absolute discretion consider appropriate.

The Shares have not been and will not be registered under the Securities Act or any other applicable law of the United States. The Shares are being offered in non-certificated form outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S of the Securities Act. The Shares are being offered in certificated form only within the United States, and to U.S. persons, and only to persons who are both (a) QPs and (b) either (i) QIBs or (ii) AIs that are existing investors in the Issuer or the U.S. Feeder Fund prior to the global offering. The Issuer will not be registered under the Investment Company Act, and investors will not be entitled to the benefits of such Act. For additional offering and transfer restrictions, see "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations" and "Part VI—The Offer".

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank **Morgan Stanley**

Dated March 26, 2007

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SUMMARY

This summary highlights certain aspects of the Company's business and the global offering and should be read as an introduction to this document. Any decision to invest in the Shares should be based on a consideration of this document as a whole and the risks and special considerations associated with investing in the Shares set out in "Risk Factors".

Where a claim relating to the information contained in this document is brought before a court of a state within the European Economic Area (an "EEA State"), a plaintiff investor might, under the national legislation of the EEA State where the claim is brought, have to bear the costs of translating this document before the legal proceedings are initiated. No civil liability is to attach to the persons responsible for this summary, including any translation of the summary, unless the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

In this prospectus, references to the "Company" are to the Issuer together with Tetragon Financial Group Master Fund Limited (the "Master Fund"). The Company invests through a "master-feeder" structure whereby the Issuer's only direct investment is shares in the Master Fund. Therefore, all investments of the Company are made through the Master Fund.

Unless the context otherwise requires, descriptions of the capital structure and corporate governance of the Issuer and the Master Fund, the arrangements between the Investment Manager (as defined below) and the Company and the closed-ended investment company status of the Issuer and the Master Fund are as they will be in effect on the closing of the global offering. The Issuer and the Master Fund are in the process of changing their legal names from "Tetragon Credit Income Fund Limited" and "Tetragon Credit Income Master Fund Limited" to the names set forth herein, which change is expected to be effective on or about March 30, 2007. The U.S. Feeder Fund will change its legal name from "Tetragon Credit Income Fund LP" to the name set forth herein on or about the Closing Date.

The Company

The Issuer, Tetragon Financial Group Limited, is an investment company that currently invests in selected securitized asset classes and aims to provide stable returns to investors across various interest rate and credit cycles. The Company launched operations on August 1, 2005. Its investment objective is to generate distributable income and capital appreciation. The Company's investment manager, Polygon Credit Management LP (the "Investment Manager"), currently seeks to accomplish this objective by (i) selecting target asset classes it believes to be attractive based on the nature of their return characteristics, (ii) selecting asset managers it believes to be superior, (iii) leveraging the structuring expertise of its principals and (iv) overlaying portfolio-based and single-name hedges on the portfolio.

The Company, which consists of the Issuer together with the Master Fund, invests its capital through a "master-feeder" structure. As of February 28, 2007, before the global offering but after giving effect to all scheduled pre-offering subscriptions, redemptions and contingent redemptions, the Master Fund had $937 million of capital under management, of which 78% is represented by capital of the Issuer and 22% is represented by capital of the U.S. Feeder Fund. Performance from inception through February 28, 2007 has been 23.5% net, calculated on an illustrative basis as described under "Part I—the Company's Business—The Issuer's Performance from Inception through February 28, 2007" to reflect the management and incentive fee structure that will be in place following completion of the global offering.

Current Investments

The Company currently invests in the subordinated, residual tranches ("Residual Tranches") of collateralized debt obligation ("CDO") products, which are securitized interests in underlying assets assembled by asset managers and divided into tranches based on their degree of credit risk. The Company's investments are diversified by industry, region and asset manager. The Investment Manager actively and regularly evaluates available asset classes and looks for additional investment vehicles through which the Company can gain exposure to its target asset classes and through which it believes it can generate attractive returns. Accordingly, the Company expects the asset classes and investment vehicles in its portfolio to expand over time.

Finance Company

Although the underlying assets of CDO issuers are typically originated by a commercial bank, the Company believes it can be more efficient than a commercial bank as a long-term owner of those assets through CDO vehicles. Investing in Residual Tranches of CDO vehicles effectively provides, through the more senior tranches, long-term funding with respect to the underlying assets. Such funding is on a floating rate basis that largely matches the underlying loans, in contrast to the funding mismatch typically faced by originating banks. Commercial banks also generally face significantly higher manpower and infrastructure costs, higher levels of taxation and greater regulatory costs and burdens than the Company. As a result, although the Company functions like a finance company with respect to its underlying assets, it believes it can offer a more attractive investment opportunity than more traditional owners of the same assets.

Management Team

The principals of the Investment Manager are Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith, Alexander Jackson and Paddy Dear (together, the "Principals"). Jeffrey Herlyn, Michael Rosenberg and David Wishnow (the "Tetragon Principals") have been working with CDOs since the inception of the CDO business, with approximately 25 years of experience in this market among them. Reade Griffith, Alexander Jackson and Paddy Dear are co-founders of Polygon Investment Partners LLP (together with its other affiliated management companies, other than the Investment Manager, "Polygon"), which manages Polygon Global Opportunities Master Fund, a global multi-strategy arbitrage fund with over $6.2 billion of capital under management. Polygon has approximately 89 employees in its London, New York and Hong Kong offices. Messrs. Griffith, Jackson and Dear teamed up with Messrs. Herlyn, Rosenberg and Wishnow to establish the Company and form the Investment Manager.

Competitive Strengths

The Company believes its competitive strengths include:

An experienced Investment Manager with a proven track record

- *Highly experienced investment management team in the CDO market.*
- *A track record of 49 investments at February 28, 2007 (including 9 "warehouse trades" (as described in "Part I—The Company's Business—Investment Strategy—Warehouse Trades")) and performance calculated on an illustrative basis through February 28, 2007 of 23.5% net.*
- *Strong relationship with Polygon and its experienced team of professionals.*
- *Alignment of interests of the Tetragon Principals and Polygon Global Opportunities Master Fund through their substantial investments in the Company.*

A distinctive investment strategy

- *Strength in CDO structuring through the Investment Manager's proactive role from the beginning of a potential CDO transaction.*
- *Substantial positions in residual tranches of CDOs, which enable the Investment Manager to make the structure better able to address changes in the credit environment.*
- *Hedging and leverage across the portfolio to address the risk profile of the entire portfolio and apply appropriate hedging and leveraging strategies to enhance returns.*

Attractive characteristics of target asset classes through CDO investments

- *Stability of CDO equity returns and low correlation to broad market indices through investments in CDOs comprised of senior secured loans, which have produced stable returns through several credit cycles, and have historically shown low correlation to broad market indices.*
- *Growing opportunities in target asset classes generated by the transformation of ownership of certain asset classes that have traditionally been originated and retained by commercial banking institutions.*

An established high-quality portfolio with rapid investment of proceeds

- *Substantial invested portfolio of $937 million of capital under management as of February 28, 2007 on an illustrative basis prior to the global offering.*
- *Expected rapid deployment of offering proceeds in identified CDO investment opportunities.*

Dividend Policy and Share Repurchases

The Issuer is currently targeting a dividend payout in the range of 30% to 50% per annum of net increase in net assets resulting from operations in quarterly installments commencing with the quarter ending June 30, 2007. These are target dividend levels and are not forecasts or binding commitments. The Issuer is not obligated to pay dividends at this level or at all. The Board of Directors will have the authority to declare dividend payments, based upon the recommendation of the Investment Manager and subject to the approval of the Voting Shares. The Issuer may also pay scrip dividends. The Issuer may also engage in Share repurchases in the market from time to time. Such purchases may provide support to the trading price of the Shares, including in the event that Share trading prices are below the current NAV. Such purchases would also generally add to the liquidity of the trading market for the Shares. There can be no assurance as to whether the Issuer will engage in any such repurchases or if it does, the timing or amount thereof.

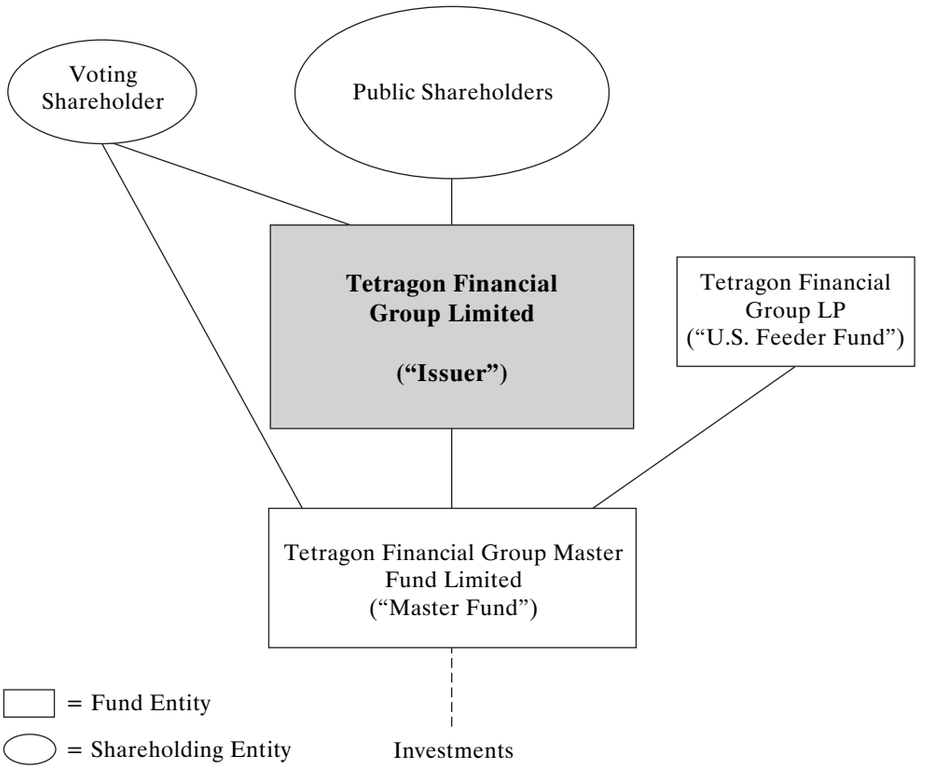
Summary Risk Factors

An investment in Tetragon Financial Group Limited involves substantial risks and uncertainties. These risks and uncertainties include, among others, those listed below.

- The Shares have voting rights only in respect of adverse variations of their class rights. The Voting Shareholder will be able to control the composition of the Board of Directors and exercise extensive influence over the Issuer's and the Master Fund's business and affairs.
- Shareholders will not be able to terminate the Investment Management Agreement.
- The Company has a very broad investment objective, and the Investment Manager will have substantial discretion when making investment decisions.
- There may be significant conflicts of interest that may be resolved in a manner not necessarily in the best interests of the Company or Shareholders.
- The Shares may trade below NAV.
- The investment portfolio is subject to default risk, concentration risk, interest rate risk, currency risk, reinvestment risk and certain other risks which may affect cash flow and NAV.
- Many of the Company's investments are in the form of highly subordinated securities, which are susceptible to losses of up to 100% of the initial investments.
- Many of the Company's investments are and will be illiquid.
- The Company's performance will depend upon the performance of its asset managers.
- The Investment Manager may not be successful in the utilization of risk management transactions, which could subject the Company's portfolio to increased risk.
- Owing to a limited operating history, the Issuer's, the Master Fund's or the Investment Manager's prior operating performance may be unreliable as a predictor of future performance.
- The Issuer's principal source of cash will be the investments that it makes through the Master Fund. The Issuer's ability to pay dividends will depend on it receiving distributions from the Master Fund.
- If the Company's relationship with the Investment Manager and its Principals were to end or the Principals or other key Polygon professionals were to depart, it could have a material adverse effect on the Company.
- The use of leverage will increase risk.
- The Issuer or the Master Fund may issue additional securities that dilute existing holders of Shares.
- Changes to tax treatment of derivative instruments may adversely affect the Issuer and certain tax positions it may take may be successfully challenged.
- Trading in over-the-counter instruments presents risks of illiquidity, wide bid/ask spreads and market disruption.
- The liability of the Investment Manager to the Company is limited and the Company's indemnity of the Investment Manager may lead the Investment Manager to assume greater risks when making investment-related decisions than it otherwise would. The Issuer and Master Fund are not party to the Services Agreement and are therefore owed no duty, and have no remedy, thereunder.
- The Company may be subject to lender liability claims as an investor in securitization vehicles, and in the event of a bankruptcy of a securitization vehicle may be subject to equitable subordination.

The foregoing is not a comprehensive list of the risks and uncertainties to which the Company is subject. You should carefully consider all of the information in this prospectus, including the information included under "Risk Factors", prior to making an investment in Tetragon Financial Group Limited.

Organizational Structure



Summary Financial Information

The summary financial information is extracted from the Issuer's and the Master Fund's respective financial statements for the period from June 23, 2005 to December 31, 2005 and the year ended December 31, 2006 (with the exception of illustrative total return after incentive fee (%)), which have been prepared in accordance with U.S. GAAP and audited by KPMG Channel Islands Limited. The summary financial information set forth below may not contain all of the information that is important for investors and should be read in conjunction with "Part IV—Operating and Financial Review and Prospects" and "Part IX—Financial Information of the Company", including the audited financial statements included therein. The Issuer's financial statements reflect its share of the results of the Master Fund, which are allocated each month between the two feeder fund entities in proportion to the capital invested. The Issuer was allocated 30% of the net increase in net assets of the Master Fund resulting from operations in the period from June 23, 2005 to December 31, 2005 and 70% of such net increase in the year ended December 31, 2006, based on the capital invested in the Master Fund in each period.

Issuer Summary Financial Information

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
	(U.S. Dollars)	
Profit and Loss Data		
Direct investment income	$ —	$ 5,641
Investment income allocated from the Master Fund	1,820,668	39,196,748
Total investment income	$ 1,820,668	$ 39,202,389
Direct expenses		
Management fees	$ —	$ (3,272,863)
Incentive fee (relates only to class A and class C shares)	(236,063)	(5,600,924)
Custodian fees	—	(45,134)
Audit fees	—	(12,600)
Directors' fees	—	(56,213)
Other operating expenses	—	(3,322)
Direct expenses	$ (236,063)	$ (8,991,056)
Operating expenses allocated from the Master Fund		
Management fees	$ (224,013)	$ (796,943)
Administration fees	(43,030)	(301,802)
Custodian fees	(12,232)	—
Legal and professional fees	(43,920)	(117,089)
Audit fees	(53,774)	(86,374)
Directors' fees	(17,376)	(39,609)
Organizational costs	(479,595)	—
Other operating expenses	(820)	(32,806)
Interest expense	(194,825)	(4,896,718)
Operating expenses allocated from the Master Fund	$ (1,069,585)	$ (6,271,341)
Total operating expenses	$ (1,305,648)	$(15,262,397)
Net investment income	$ 515,020	$ 23,939,992
Net realized and unrealised gain/(loss) from investments and foreign currencies allocated from the Master Fund		
Net realized gain/(loss) from:		
Investments	$ 13,444	$ —
Foreign currency transactions	341,105	(865,113)
Credit default swaps	—	(262,318)
	$ 354,549	$ (1,127,431)
Net increase/(decrease) in unrealized appreciation/(depreciation) on:		
Investments	$ (360,240)	$ (15,057)
Forward foreign exchange contracts	(25,615)	(1,730,924)
Credit default swaps	—	(1,036,477)
Translation of assets and liabilities in foreign currencies	54,745	3,774,233
	$ (331,110)	$ 991,775
Net realized and unrealized gain/(loss) from investments and foreign currencies allocated from the Master Fund	$ 23,439	$ (135,656)
Net increase in net assets resulting from operations	$ 538,459	$ 23,804,336

	As at December 31, 2005	As at December 31, 2006
	(U.S. Dollars, except where indicated)	
Balance Sheet Data		
Cash and cash equivalents	$ —	$ 269
Investment in Master Fund	31,024,522	490,175,214
Total assets	$ 31,024,522	$490,175,483
Total liabilities	$ 266,361	$ 13,215,959
Net assets	$ 30,758,161	$476,959,524
Shares outstanding (number of shares):		
Class A	298,485	3,501,654
Class B	2,500	10,473
Class C	—	522,374
Net asset value per share:		
Class A	$ 102.18	$ 117.84
Class B	$ 103.08	$ 122.53
Class C	$ —	$ 120.67

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
	(U.S. Dollars)	
Cash Flow Data		
Cash outflows from operating and investing activities	$(30,250,000)	$(429,945,731)
Cash inflows from financing activities	30,250,000	429,946,000
Net increase/(decrease) in cash and cash equivalents	—	269
Cash and cash equivalents at beginning of year/period	—	—
Cash and cash equivalents at end of year/period	$ —	$ 269

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
Performance Data		
Total return for class A shares before Incentive Fee (%)[1]	3.15%	19.17%
Total return for class A shares after Incentive Fee (%)[2]	2.18%	15.33%
Illustrative total return after Incentive Fee (%)[3]	4.34%	15.49%

(1) Total return before Incentive Fee is the percentage return on net assets during the relevant time period before deduction of incentive fees paid during such period. Please see pages 63-64 for further information on incentive fees. All incentive fees are paid directly by the Issuer.

(2) Total return after Incentive Fee is the percentage return on net assets during the relevant time period, after deduction of incentive fees paid during such period.

(3) Illustrative total return after Incentive Fee is the percentage return on net assets during the relevant time period, calculated to reflect the management and incentive fee structure that will be in place following completion of the global offering, as further described under "Part I—The Company's Business—The Issuer's Performance From Inception through February 28, 2007".

Master Fund Summary Financial Information

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
	(U.S. Dollars)	
Profit and Loss Data		
Interest income	$ 5,417,245	$ 56,244,498
Investment income	$ 5,417,245	$ 56,244,498
Management fees	$ (666,534)	$ (1,143,555)
Administration fees	(128,032)	(433,064)
Custodian fees	(36,394)	—
Legal and professional fees	(130,680)	(168,014)
Audit fees	(160,000)	(123,941)
Directors' fees	(51,700)	(56,836)
Organizational costs	(1,334,084)	—
Other operating expenses	(2,440)	(47,075)
Interest expense	(579,684)	(7,026,436)
Operating expenses	$ (3,089,548)	$ (8,998,921)
Net investment income	$ 2,327,697	$ 47,245,577
Realized and unrealized gain/(loss) from investments and foreign currency:		
Net realized gain/(loss) from:		
Investments	$ 40,000	$ —
Foreign currency transactions	1,014,930	(1,241,375)
Credit default swaps	—	(376,407)
	$ 1,054,930	$ (1,617,782)
Net increase/(decrease) in unrealized appreciation/(depreciation) on:		
Investments	$ —	$ (21,605)
Forward foreign exchange contracts	(76,216)	(2,483,750)
Credit default swaps	—	(1,487,269)
Translation of assets and liabilities in foreign currencies	(908,975)	5,415,750
	(985,191)	1,423,126
Net realized and unrealized gain/(loss) from investments and foreign currencies	$ 69,739	$ (194,656)
Net increase in net assets resulting from operations	$ 2,397,436	$ 47,050,921

	As at December 31, 2005	As at December 31, 2006
	(U.S. Dollars, except where indicated)	
Balance Sheet Data		
Cash and cash equivalents	$ 35,686,369	$117,859,435
Investments in securities, at fair value (cost $117,569,202)	121,614,863	785,260,048
Other receivables	128,070	543,791
Total assets	$157,429,302	$903,663,274
Total liabilities	$ 72,031,866	$297,540,034
Net assets	$ 85,397,436	$606,123,240
Shares outstanding (number of shares):		
Redeemable Preference Shares	828,485	4,893,542
Net asset value per share:		
Redeemable Preference Shares	$ 103.08	$ 123.86

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
	(U.S. Dollars)	
Cash Flow Data		
Cash flows from operations	$ 813,221	$ 1,264,330
Cash outflows from operating and investing activities	$(118,490,881)	$(585,644,899)
Cash inflows from financing activities	154,177,250	667,793,594
Net increase/(decrease) in cash and cash equivalents	$ 35,686,369	$ 82,148,695
Cash and cash equivalents at beginning of year/period	—	35,686,369
Effect of exchange rate fluctuations on cash and cash equivalents	—	24,371
Cash and cash equivalents at end of year/period	$ 35,686,369	$ 117,859,435

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
Performance Data		
Total return (%)[1]	3.08%	20.16%

(1) Total return is the percentage return on net assets during the relevant time period.

Summary of the Terms of the Global Offering

Issuer	Tetragon Financial Group Limited, which will be a closed-ended investment company.
Eurolist by Euronext Amsterdam Symbol	"TFG"
Shares Offered in the Global Offering	Up to 30,000,000 Shares with a minimum aggregate purchase amount of $75,000.
Voting Rights	No voting rights, except that the rights of the Shares may not be varied or abrogated without the consent of both (i) the Voting Shareholder by resolution and (ii) if such change is adverse to the rights of the Shares, the holders of the Shares by resolution. See "Part XII—Additional Information—The Issuer—Capital Structure of the Issuer".
Estimated Shares to be Outstanding Immediately After the Global Offering	104,609,457 Shares, assuming 30,000,000 Shares are sold in the global offering and no exercise of the Over-allotment Option. This is based on estimated NAV as of immediately prior to the closing of the global offering and the estimated Conversion Ratios (as defined below) set forth on page 175. In addition, following the closing of the global offering the outstanding interests in the U.S. Feeder Fund will be exchangeable at any time at the option of the holders for an aggregate of an estimated 20,802,189 Shares or cash equal to the market value thereof, at the option of the Issuer. Assuming the exchange of all such U.S. Feeder Fund interests for Shares, 125,411,646 Shares would be outstanding immediately after the global offering.
Nominal Value	$0.001 per Share.
Over-allotment Option	Polygon Credit Holdings II Limited (the "Voting Shareholder") has granted to the Joint Bookrunners an option, exercisable within 30 calendar days after the Listing Date, to acquire up to an additional 15% of the total number of Shares initially sold in the global offering, at the Offer Price, less the Joint Bookrunners' commission, to cover over-allotments, if any. Unless otherwise noted, all numbers assume that this option has not been exercised.
Offer Price	$10 per Share.
Joint Global Coordinators and Joint Bookrunners	Deutsche Bank and Morgan Stanley.
Use of Proceeds	To (i) acquire, through the Master Fund, investments in its current target asset classes and other investments in accordance with the Company's investment objective, including potential additional CDO investments that the Investment Manager's Investment Committee has identified and approved as described under "Part I—The Company's Business—The Company's Existing Portfolio—Investment Pipeline" and (ii) to pay fees and expenses relating to the global offering.
Lock-Up Arrangements	Each of the Issuer, the Master Fund, the U.S. Feeder Fund, the Investment Manager, the Principals, the Voting Shareholder and the Polygon affiliate holding interests in the U.S. Feeder Fund, and each existing investor holding interests in the Issuer and the U.S. Feeder Fund as at the date of this prospectus who has consented to the Share Conversion Transactions or LP Conversion

	Transactions (each as defined below) (each, an "Existing Investor"), has agreed that it will not, during the period ending (A) 360 days following the Settlement Date (in the case of the Issuer, the Master Fund, the U.S. Feeder Fund, the Investment Manager, the Principals, the Voting Shareholder and the Polygon affiliate) or (B) 90 days following the Settlement Date (in the case of Existing Investors other than those listed in clause (A)), issue, offer, sell or enter into certain other transactions with respect to the Shares, subject to certain exceptions, except in each case with the prior written consent of the Joint Bookrunners. See "Part VI—The Offer—Lock-Up Arrangements".
Investment Manager Options	On the Closing Date, the Investment Manager will be granted the right to acquire an amount of Shares equal to 10% of the number of Shares outstanding immediately after the closing of the global offering, at an exercise price per Share equal to the Offer Price. See "Part II—The Company's Management—Fees and Expenses".
Pricing Date	April 19, 2007, subject to acceleration or extension of the timetable for the global offering.
Allotment Date	April 19, 2007, subject to acceleration or extension of the timetable for the global offering.
Settlement Date	April 26, 2007, subject to acceleration or extension of the timetable for the global offering.
Listing and Trading	Application will be made to Euronext Amsterdam N.V. for the admission of all Shares on Eurolist by Euronext Amsterdam. See "Part VI—The Offer" and "Part V—Market Information". Trading is expected to commence April 19, 2007 on an "as-if-and-when-issued-or-delivered" basis.
Subscription Period	The period of no less than six Business Days commencing on March 28, 2007 at 9:00 a.m. CET and ending on April 18, 2007 at 5:00 p.m. CET.
Payment, Delivery, Closing and Settlement	Application has been made for the Shares (other than those in certificated form) to be accepted for clearance and settlement through the Euroclear System. Delivery of the Shares sold in the global offering against payment of the Offer Price will take place on or about April 26, 2007 or such other date as the Issuer and Joint Bookrunners may agree.
Alternative Settlement Cycle	The Issuer expects that delivery of the Shares will be made against payment therefor on or about the fifth Business Day following the expected initial date of trading of the Shares (T+5). Trading of the Shares on the initial date of trading of the Shares and the next Business Day might be affected by the T+5 settlement. See "Part VI—The Offer".
Security Codes	ISIN: GG00B1RMC548 Amsterdam Security Code (fondscode): 29367
Investor Representations and Transfer Restrictions	The Shares are subject to certain ownership limitations and transfer restrictions. See "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations".
	Investors in non-certificated Shares will be deemed to have made the representations set forth under "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Investment Restrictions". QIBs investing in

	certificated Shares will be required to make the representations set forth under "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Investment Restrictions" by delivering to the Issuer a Purchaser Letter in the form of Appendix A hereto. AIs investing in the Shares will be required to deliver a Purchaser Letter in the form to be provided by the Issuer. Transferees of non-certificated Shares will be deemed to have made the representations set forth under "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Transfer Restrictions". Transferees of certificated Shares will be required to make the representations set forth under "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Transfer Restrictions" by delivering to the Issuer a Transferee Letter in the form of Appendix B hereto.
Listing Agents	Morgan Stanley & Co. International Limited and Deutsche Bank AG, London Branch, acting jointly.
Registrar	Kleinwort Benson (Channel Islands) Fund Services Limited.
Issuing Agent, Dutch Paying Agent and Dutch Transfer Agent	KAS Bank N.V.
Sub-Registrar, Transfer Agent and U.S. Paying Agent	The Bank of New York.
Currency of the Shares	U.S. Dollars.
Governing Law of the Shares	Guernsey.
Independent Auditors	KPMG Channel Islands Limited.

RISK FACTORS

Your investment in the Shares will involve substantial risks. You should carefully consider the following factors in addition to the other information set forth in this prospectus before you decide to purchase Shares. The risks and uncertainties discussed below are those that the Company believes are material, but these risks and uncertainties are not the only ones that the Company faces. Additional risks and uncertainties that the Company does not presently know about or that it currently believes are immaterial may also adversely impact the Company's business, financial condition, results of operations or the value of your investment. If any of the following risks actually occur, the Company's business, financial condition, results of operations and the value of your investment would likely suffer.

Risks Relating to the Company's Investments

Many of the Company's investments are in the form of highly subordinated securities, which are susceptible to losses of up to 100% of the initial investments.

The Company's current portfolio consists primarily of subordinated Residual Tranches of Securitization Vehicles (defined below), which are the tranches that are paid last out of the proceeds received by Securitization Vehicles from their underlying assets.

The Company's investments in Residual Tranches represent leveraged investments in the underlying assets of the Securitization Vehicles. The market value of these investments could be significantly affected by, among other things, changes in the market value of the underlying assets, changes in the payments on the underlying assets, defaults and recoveries on the underlying assets, capital gains and losses on the underlying assets, prepayment on underlying assets and the availability, prices and interest rate of underlying assets. The leveraged nature of a Residual Tranche may increase the risk that a change in market conditions or the default of an issuer of underlying assets could result in significant losses. Accordingly, Residual Tranches may not be paid in full and may be subject to substantial losses, including a loss of 100% of the Company's investment in them.

In general, losses experienced by Securitization Vehicles will be borne first by the junior-most classes of securities. Although holders of subordinated securities such as Residual Tranches generally have the benefit of security (or other priority rights) over such collateral as may be posted to secure the securities, control of the timing and manner of the disposal of such collateral upon a default typically will devolve to the holders of the senior class of securities outstanding. The holders of the more senior classes may be expected to look to their interests when deciding how to proceed with a distressed obligor and disposing of collateral, which may mean that they take actions or direct disposals that protect their return of investment but not that of lower-ranking classes. There can be no assurance that the proceeds of any such sale of collateral will be adequate to repay the Company's investments in full.

Defaults on underlying assets may have a negative impact on the value of the Company's portfolio and cash flows received.

A default on an underlying asset will reduce the value of such underlying asset and, consequently, the value of the related investment and the Company's portfolio. A wide range of factors could adversely affect the ability of the issuer of an underlying asset to make interest or other payments. These factors include adverse changes in the financial condition of such issuer or the industries or regions in which it operates; its exposure to counterparty risks; systemic risk in the financial system and settlement; changes in law and taxation; a downturn in general economic conditions; changes in governmental regulations or other policies; and natural disasters, terrorism, social unrest and civil disturbances. To the extent that actual defaults on the underlying assets of an investment exceed the level of defaults factored into the purchase price of such investment by the Investment Manager, the value of the anticipated return from the investment will be reduced. The more deeply subordinated the tranche of securities in which the Company invests, such as investments in Residual Tranches, the greater the risk of loss upon a default. Although the Investment Manager takes into account estimated levels of default when determining the prices the Company pays for investments and the value at which those investments are carried in the Company's books, any defaults in excess of expected default rate model inputs, which are based on historical bond default data, will have a negative impact on the value of the Company's investments, will reduce the cash flows that the Company receives from its investments and could adversely impact the Issuer's ability to pay dividends.

Many of the Company's investments are and will be illiquid, which may make it difficult for the Company to sell certain holdings.

The securities issued by Securitization Vehicles are, in general, privately placed and offer less liquidity than other investment-grade or high-yield corporate debt. Other investments that the Company may purchase in privately negotiated (also called "over-the-counter" or "OTC") transactions may also be illiquid or subject to legal restrictions on their transfer, sale, pledge or other disposition. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the liquidity of lower-rated securities, especially in a thinly traded market. As a result of this illiquidity, the Company's ability to sell certain investments quickly in response to changes in economic and other conditions and to receive a fair price when selling such investments may be limited, which could prevent the Company from making sales to mitigate losses on such investments. In addition, Securitization Vehicles are subject to liquidation upon the failure of certain tests relating to the underlying assets, which can result in substantial loss of value to the holders of interests in Securitization Vehicles. Residual Tranches are the most illiquid class of interests in Securitization Vehicles and the most likely tranche to suffer a loss in these circumstances.

The Company may be exposed to counterparty risk, which could make it difficult for the Company or the Securitization Vehicles in which it invests to collect on the obligations represented by investments and result in significant losses. In addition, neither the Company nor the Securitization Vehicles in which it invests will have any direct claim against the underlying obligors with respect to certain synthetic securities.

The Company may hold investments (including synthetic securities) which would expose it to the credit risk of its counterparties or the counterparties of the Securitization Vehicles in which it invests. In the event of a bankruptcy or insolvency of such a counterparty, the Company or a Securitization Vehicle in which such an investment is held could suffer significant losses, including the loss of that part of the Company's or Securitization Vehicle's portfolio financed through such a transaction, declines in the value of its investment, including declines that may occur during an applicable stay period, the inability to realize any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

In addition, with respect to certain swaps and synthetic securities, neither the Securitization Vehicle nor the Company usually has a contractual relationship with the entities whose payment obligations are the subject of the relevant swap agreement or security (each, a "Reference Entity"). Therefore, neither the Securitization Vehicle nor the Company generally has a right to directly enforce compliance by the Reference Entity with the terms of this kind of underlying obligation, any rights of set-off against the Reference Entity or any voting rights with respect to the underlying obligation. Neither the Securitization Vehicle nor the Company will directly benefit from the collateral supporting the underlying obligation and will not have the benefit of the remedies that would normally be available to a holder of such underlying obligation. Also, in the event of the insolvency of the counterparty to the swap or synthetic security, the Securitization Vehicle or the Company will be treated as a general creditor of such counterparty and will not have any claim with respect to the underlying payment obligations of the Reference Entity.

The performance of many of the Company's investments may depend to a significant extent upon the performance of its asset managers.

The Company will rely on asset managers to administer and review the portfolios of the underlying assets managed by them (each such portfolio a "Securitization Portfolio"). Particularly in the case of Residual Tranches, the actions of the asset managers may affect the Company's return on its investments, in some cases significantly. For example, the performance of a Securitization Portfolio will heavily depend upon the skill of the asset manager in performing credit analysis and valuation of the underlying assets. Since holders of Residual Tranches are paid last out of proceeds, any underperformance of the asset managers will disproportionately affect the Residual Tranches.

The ability of each asset manager to identify and report on issues affecting its Securitization Portfolio on a timely basis could also affect the Company's return on its investments, as the Company may not be provided with information in order to take appropriate hedging or other measures to manage its risks in the relevant Securitization Portfolio. In addition, concentration of a significant number of the Company's investments with one asset manager could affect the Company adversely in the event that the asset manager fails to fulfill its function effectively or at all. Furthermore, in the event of fraud by any entity in which the Company invests or by other parties involved with the entity, such as asset managers, the Company may suffer a partial or total loss of the amounts invested in that entity.

Many of the Company's investments and the related underlying assets are subject to prepayment rights, which could result in the Company achieving a lower than expected rate of return on its investments.

Although the Company's valuations and projections take into account certain expected levels of prepayments, underlying assets may be prepaid more quickly than expected. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Company's control and consequently cannot be accurately predicted. Early prepayments give rise to increased reinvestment risk, as the asset manager or the Company might realize excess cash from prepayments earlier than expected. If an asset manager or the Company is unable to reinvest such cash in a new investment with an expected rate of return at least equal to that of the investment repaid, this may reduce the Issuer's net income.

The Company may be subject to lender liability claims from its participation and exercise of various voting rights provided to it as an investor in Residual Tranches of Securitization Vehicles. In addition, because the Company has such voting rights, in the event of a bankruptcy of a Securitization Vehicle, the Company's claims may be subject to equitable subordination.

A number of judicial decisions have upheld judgments in favor of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, courts in such decisions have determined that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower, or that a lender has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Although these risks are generally thought to be associated with the lenders with respect to the underlying assets, it is possible that the voting rights resulting from the substantial positions in Residual Tranches that the Company typically seeks may make it more susceptible to lender liability claims than holders of other tranches or interests in the underlying assets.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a shareholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination". Securitization Vehicles with assets that consist of loans may be subject to claims of equitable subordination. A Securitization Vehicle may also be exposed to claims for equitable subordination or lender liability or both based on such equity or other holdings because affiliates of, or persons related to, the asset manager of the Securitization Vehicle may hold equity or other interests in obligors of the Securitization Vehicles.

The preceding discussion is based upon principles of United States federal and state laws. Currently, a majority of the Company's underlying assets involve U.S.-domiciled borrowers. Insofar as Securitization Vehicles consist of underlying assets issued by non-United States obligors, the laws of other jurisdictions may impose liability upon lenders, with consequences that may or may not be analogous to those described above under United States federal and state laws.

If the Company or the Securitization Vehicles (and their asset managers) are subject to claims for lender liability, equitable subordination or other such claims, the Company may not be able to achieve the same rate of return on the underlying investments that it projected when making its initial investment decision, and this could cause a decrease in the market value of the Shares.

In the event of a bankruptcy or insolvency of an issuer or borrower of underlying assets in which the Company invests, a court or other governmental entity may determine that the claims of the relevant Securitization Vehicle are not valid or not entitled to the treatment the Company expected when making its initial investment decision.

Various laws enacted for the protection of creditors may apply to the underlying assets in the Company's investment portfolio. The information in this and the following paragraph is applicable with respect to U.S. issuers and borrowers, although similar avoidance provisions are typically available with respect to non-U.S. issuers or borrowers. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer or borrower of underlying assets, such as a trustee in bankruptcy, were to find that such issuer or borrower did not have fair consideration or reasonably equivalent value for incurring the indebtedness constituting such underlying assets and, after giving effect to such indebtedness, the issuer or

borrower (i) was insolvent; (ii) was engaged in a business for which the remaining assets of such issuer or borrower constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could decide to invalidate, in whole or in part, the indebtedness constituting the underlying assets as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the issuer or borrower or to recover amounts previously paid by the issuer or borrower in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer or borrower of underlying assets, payments made on such underlying assets could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year under Federal bankruptcy law or even longer under state laws) before insolvency.

The Company's underlying assets may be subject to various laws for the protection of creditors in other jurisdictions, including the jurisdiction of incorporation of the issuer or borrower of such underlying assets and, if different, the jurisdiction from which it conducts business and in which it holds assets, any of which may adversely affect such issuer's or borrower's ability to make payment in full or on a timely basis. These insolvency considerations will differ depending on the country in which an issuer or borrower or the related underlying assets are located and may differ depending on the legal status of the issuer or borrower. Additionally, a Securitization Vehicle, as a creditor, may experience less favorable treatment under different insolvency regimes than apply in the United States, including where it seeks to enforce any security it may hold as a creditor.

The Company is subject to concentration risk in its investment portfolio, which may increase the risk of an investment in the Shares.

Although the Investment Manager will regularly monitor the concentration of the Company's investment portfolio in any one company, industry, country or region and its exposure to any given asset manager, concentrations of exposure may arise in the portfolio. For example, at any given time, certain industries, companies or geographic areas, or certain asset managers, may provide more attractive investment opportunities than others and, as a result, the Company's investment portfolio may be concentrated in those industries, companies or geographic areas or with respect to particular asset managers. The risk that payments on the Company's investments could be adversely affected to a significant degree by one default or a series of defaults on debt obligations relating to a particular industry, geographic area, company or asset manager will increase to the extent that the Company's investments are concentrated in that industry, company, geographic area or asset manager. As of December 31, 2006, approximately 84% of the Company's investments were concentrated in the United States and approximately 95% of the Company's investments related to leveraged loans. Actions taken by the Investment Manager to mitigate these concentration risks may involve costs for the Company, and there is no guarantee that such actions will be effective.

The Company's investments are subject to interest rate risk, which could cause the value of the Company's investments to decrease should interest rates rise.

The value of the Company's investments may be significantly affected by changes in interest rates. Although the Company's current portfolio consists primarily of CDOs, which are structured to hedge interest rate risk through use of matched funding, in the event of a significant rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Company's cash flow and operating results adversely. In addition, future investments in different types of instruments may carry a greater exposure to interest rate risk.

The Company's investments are subject to currency risks, which could cause the value of the Company's investments to decrease regardless of the inherent value of the underlying investments.

The Investment Manager's investment strategy does not place a restriction on the percentage of the Company's investments that are denominated in currencies other than U.S. Dollars. The Company's investments that are denominated in currencies other than U.S. Dollars are subject to the risk that the value of such currency will decrease in relation to the U.S. Dollar. Although the Company generally hedges its non-U.S. Dollar exposures back to U.S. Dollars, an increase in the value of the U.S. Dollar compared to other currencies in which the Company makes its investments would otherwise reduce the effect of increases and magnify the effect of decreases in the prices of the Company's non-U.S. Dollar denominated investments in their local markets. Fluctuations in currency exchange rates will similarly affect the U.S. Dollar equivalent of any interest, dividends or other payments made to the Company denominated in a currency other than U.S. Dollars. Among the factors that may affect currency values are

trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, capital appreciation, political developments and other factors outside the Company's control.

The Investment Manager may not be successful in the utilization of hedging and risk management transactions, which could subject the Company's portfolio to increased risk or lower returns on its investments and in turn cause a decrease in the market value of the Shares.

The Investment Manager currently uses financial derivatives such as foreign exchange derivatives, credit default index derivatives, credit default swaps and other derivatives to hedge default risk, concentration risk and currency risk in the Company's portfolio. The Investment Manager may also engage in other forms of hedging using different financial instruments or derivatives.

The success of the Investment Manager's hedging strategy will depend, in part, upon its ability to correctly assess the relationship between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many instruments change as markets change or time passes, the success of the Investment Manager's hedging strategy will also be subject to its ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. Although the Investment Manager may cause the Company to enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Company than if it had not engaged in such hedging transactions. The Investment Manager may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Company from achieving the intended hedge or expose the Company to a risk of loss. The Investment Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk.

The ability of Securitization Vehicles in which the Company invests to sell assets and reinvest the proceeds may be restricted, which may reduce the yield from the Company's investment in those Securitization Vehicles.

The ability of Securitization Vehicles in which the Company invests to sell assets and reinvest the proceeds may be restricted. As part of the ordinary management of its portfolio, a Securitization Vehicle may typically dispose of certain of its assets and reinvest the proceeds thereof in substitute assets, subject to compliance with its investment guidelines and certain other conditions, including the terms of the debt securities issued by it. The earnings with respect to such substitute assets will depend on the quality of reinvestment opportunities available at the time and on the availability of assets that satisfy the Securitization Vehicle's investment guidelines and that are acceptable to the asset manager, among other factors. The need to satisfy such guidelines and identify acceptable assets may require the asset manager to purchase substitute assets at a lower yield than those initially acquired or require that the sale proceeds be maintained temporarily, either of which may reduce the yield that the asset manager is able to achieve. Such reduced yields could adversely impact the Issuer's ability to pay dividends.

The Company intends to engage in over-the-counter trading, which has inherent risks of illiquid markets, wide bid/ask spreads and market disruption.

The Company engages in forward currency contracts and options, as well as currency and credit default swaps and other derivatives. Unlike futures contracts, these instruments are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in the markets for these instruments, negotiating each transaction on an individual basis. These transactions are substantially unregulated, there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in these markets are not required to continue to make markets and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain contracts or have quoted prices with unusually wide spreads between the prices at which they were prepared to buy and those at which they were prepared to sell. Disruptions can also occur in any market in which the Company trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Company. Market illiquidity or disruption could result in significant losses to the Company.

Risks Relating to the Company

The Issuer, the Master Fund and the Investment Manager have a limited operating history, which may make the Issuer's, the Master Fund's or the Investment Manager's prior operating performance unreliable as a predictor of future performance.

The Issuer, the Master Fund and the Investment Manager launched operations on August 1, 2005 and have a limited operating history upon which investors can evaluate the likely performance of the Shares. The past performance of the Issuer, the Master Fund or the Investment Manager may not be indicative of future performance through a full credit cycle or a variety of market conditions.

The Issuer does not have any operations, and its principal source of cash will be the investments that it makes through the Master Fund. The Issuer's ability to pay its expenses and dividends will depend on it receiving distributions from the Master Fund. The Issuer's ability to pay dividends will also be affected by other factors, such as its financial condition and applicable law.

Upon completion of the global offering, the Issuer will contribute all of its cash to the Master Fund. Accordingly, the Issuer will depend on the Master Fund to distribute cash to it in a manner that allows it to meet its expenses as they become due and to make distributions to its shareholders (the "Shareholders") in accordance with its dividend policy. The Master Fund is not required to make any distributions to the Issuer, except upon final liquidation, even if it has distributable cash. The ability of the Master Fund to make cash distributions to the Issuer will depend on a number of factors, including, among others, the actual results of operations and financial condition of the Master Fund and its investments, restrictions on cash distributions that are imposed by applicable law or the articles of association of the Master Fund, the timing and amount of cash generated by investments that are made by the Master Fund, any contingent liabilities to which the Master Fund may be subject, the amount of taxable income generated by the Master Fund and other factors that the Master Fund's board of directors and the Investment Manager deem relevant. If the Issuer does not receive cash distributions from the Master Fund or if the Master Fund does not receive cash distributions from its investments, the Issuer may not be able to make the cash distributions it intends to make to its Shareholders pursuant to its dividend policy.

Although the Issuer currently intends, to the extent it has sufficient profits available for such purpose, to pay an annual dividend in quarterly installments (as described under "Part II—The Company's Business—Dividend Policy"), all distributions will be made at the discretion of the Issuer's board of directors (the Board of Directors), based on the recommendation of the Investment Manager and subject to the approval of the Voting Shares (as defined below). Among other things, the level of dividend, if any, will depend on the Issuer's earnings, financial condition and such other factors as may be relevant from time to time, including limitations under The Companies (Guernsey) Law, 1994, as amended (the "Companies Law").

None of the Investment Manager or the Services Providers owe fiduciary duties to the Shareholders.

The obligations of the Investment Manager under the Investment Management Agreement (as defined below) are contractual rather than fiduciary in nature. For example, the Investment Manager need not disclose to the Company anything that comes to its attention in the course of its dealings in any capacity other than as Investment Manager; it may also enter into transactions with companies in which the Company invests, and it will not be liable to account for any profits from any such transaction. In addition, Shareholders will not be entitled to vote on any matter related to the Investment Management Agreement, including any modification or amendment of its provisions. The obligations of the Services Providers (as defined below) under the Services Agreement (as defined below) are also contractual in nature and, in addition, such contracts are only between the relevant Services Provider and the Investment Manager. Neither the Issuer nor the Master Fund is a party to the Service Agreement. Accordingly, Shareholders may be unable to bring any claims directly against the Investment Manager or any Services Provider, or obtain any remedies directly from them.

The NAV per Share will change over time with the performance of the Company's investments and will be determined by the Company's valuation principles as set forth in the financial statements, and the Shares may trade below NAV. The fees payable to the Investment Manager will be based on changes in NAV, which will not necessarily correlate to changes in the market value of the Shares.

As the Issuer's NAV (as defined herein) will depend in large part on the value of the Company's investments, the Issuer's NAV per Share ("NAV per Share") is expected to fluctuate over time with the performance of those investments. The Investment Manager's compensation is based on NAV. It is

possible that at the time of a particular fee calculation the Issuer's valuation model will produce a NAV figure for its investments that is higher than the market value of its Shares, or that the Shares will be traded at a market value below NAV per Share for a significant period.

As a result, the management and incentive fees paid to the Investment Manager on a particular date may be higher than those which would be payable had the NAV been calculated on a different date or under a different methodology. For a discussion of how the Company values its investments please refer to the discussion in "Part I—The Company's Business—Valuation".

The management fee payable to the Investment Manager may create an incentive for such entity to make investments and take other actions that increase or maintain the Company's NAV over the near term even though other investments or actions may be more favorable.

The Investment Manager will be entitled to receive a management fee of 1.5% of NAV under the Investment Management Agreement based on the Issuer's NAV and the U.S. Feeder Fund's NAV. This fee is payable monthly in advance prior to the deduction for accrued incentive fees. Although this fee is small in relation to the potential incentive fees, it is payable irrespective of the Investment Manager's operating performance under the agreement. Accordingly, it may create an incentive for the Investment Manager to cause the Company to make investments and take other actions that increase or maintain the NAV of the Company over the near term even though other investments or actions may be more favorable to the Company or the Shareholders.

The Issuer and the Master Fund have approved a very broad investment objective and the Investment Manager will have substantial discretion when making investment decisions. In addition, the Investment Manager's strategies may not achieve the Company's investment objective.

The Issuer and the Master Fund have established a very broad investment objective for the Company. The Investment Management Agreement provides that the Investment Manager may cause the Company to make any investment that the Investment Manager in its sole discretion deems consistent with the Company's investment objective of generating distributable income and capital appreciation. As a result, the Investment Manager has very broad discretion when selecting, acquiring and disposing of investments, including in determining the types of investments that it deems appropriate, the investment approach that it follows when making investments and the timing of investments. The Board of Directors is not expected to review or approve individual investment decisions. No assurance can be given that the strategies used, or to be used, by the Investment Manager will be successful under all or any market conditions. The strategies currently employed by the Investment Manager may be modified and altered from time to time, so it is possible that the strategies used by the Investment Manager in the future may be different from those presently used, which could result in changes to, and expansion of, the Company's investment and underlying asset mix in the future. The Company may in the future invest in investments or underlying asset classes entailing risks that are not addressed in the prospectus.

Shareholders will not be able to terminate the Investment Management Agreement, and the Investment Management Agreement may only be terminated by the Issuer or the Master Fund in limited circumstances.

The Investment Management Agreement can only be terminated (i) by the Investment Manager at any time upon 60 days' notice or (ii) immediately upon the Issuer, the U.S. Feeder Fund or the Master Fund giving notice to the Investment Manager or the Investment Manager giving notice to the Master Fund, the U.S. Feeder Fund or the Issuer in relation to such entity in the event of (a) the party in respect of which notice has been given becoming insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or a receiver being appointed over all or a substantial part or of its assets or it becoming the subject of any petition for the appointment of an administrator, trustee or similar officer, (b) a party committing a material breach of the Investment Management Agreement which causes a material adverse effect on the business of the non-breaching party and (if such breach shall be capable of remedy) not making good such breach within 30 days of service upon the party in breach of notice requiring the remedy of such breach or (c) fraud or wilful misconduct in the performance of a party's duties under the Investment Management Agreement.

The Services Agreement is a contract between the Investment Manager and the Services Providers and may not be directly terminated by the Issuer or the Master Fund. As a result, the Company may not be able to replace the Investment Manager or any Services Provider because of poor performance, disagreements

over investment decisions and strategic decisions or other factors. Moreover, in the event these contracts are terminated, the Voting Shares must approve any replacement Investment Manager, and the action by the Board of Directors to hire such replacement requires the vote of at least one of the Polygon-affiliated directors (the "Polygon Directors"). The inability to replace the Investment Manager may adversely affect the NAV or market price of the Shares.

The rights of the Shareholders and the fiduciary duties owed by the Board of Directors to the Issuer will be governed by Guernsey law and the Articles of Association and may differ from the rights and duties owed to companies under the laws of other countries.

The Issuer is an investment company that has been registered under the laws of Guernsey. The rights of its Shareholders and the fiduciary duties that the Board of Directors owes to the Issuer and the Shareholders are governed by Guernsey law and the Articles of Association. As a result, the rights of the Shareholders and the fiduciary duties that are owed to them and the Issuer may differ in material respects from the rights and duties that would be applicable if the Issuer were organized under the laws of a different jurisdiction or if it were not permitted to vary such rights and duties in the Articles of Association.

The liability of the Investment Manager is limited under the Company's arrangements with it, and the Company has agreed to indemnify the Investment Manager against claims that it may face in connection with such arrangements, which may lead the Investment Manager to assume greater risks when making investment-related decisions than it otherwise would if investments were being made solely for its own account.

Under the Investment Management Agreement, the Investment Manager has not assumed any responsibilities other than to perform the obligations, duties and responsibilities described in the Investment Management Agreement. As a result, the right of the Company to recover against the Investment Manager may be limited to damages arising out of the performance or non-performance of its responsibilities explicitly provided for in the Investment Management Agreement.

In addition, under the Investment Management Agreement, the liability of the Investment Manager is limited to the fullest extent permitted by law to conduct involving fraud or wilful misconduct, and the Investment Manager is indemnified from liabilities arising from such agreements, other than liabilities arising from such person's fraud or wilful misconduct. Accordingly, the rights of the Company to recover against the Investment Manager as a result of default by the Investment Manager of its obligations under the Investment Management Agreement is limited, and any such recovery may be significantly lower than the loss that the Company or the Shareholders have suffered.

These limitations of liability and indemnification provisions may result in the Investment Manager taking greater risks when making investment-related decisions than otherwise would be the case, including when determining the appropriate amount of leverage to be used in connection with investments.

No formal corporate governance code will apply to the Issuer.

The Dutch corporate governance code only applies to companies incorporated in the Netherlands. There is no formal corporate governance code with which the Issuer must comply. Although the Articles of Association require the majority of the Board of Directors to be independent, satisfying in all material respects the standards for independence set forth in the U.K. Combined Code (as defined below), this compliance is limited to the composition of the Board of Directors and the Issuer will not be bound to comply with other aspects of the U.K. Combined Code. In addition, this requirement can be changed by a vote of holders of Voting Shares. Furthermore, no legal sanctions would apply to the Issuer if it failed to comply with such standards.

The Directors and the Administrator may have conflicts of interest in the course of their duties.

The members of the Board of Directors (the "Directors") and Kleinwort Benson (Channel Islands) Fund Services Limited (the "Administrator") may also, from time to time, provide services to, or be otherwise involved with, other investment programs established by parties other than the Issuer or the Master Fund which may have similar objectives to those of the Issuer or the Master Fund. It is therefore possible that any of them may, in the course of business, have potential conflicts of interest with the Issuer or the Master Fund. In addition, subject to applicable law and the provisions of the Articles of Association and the Investment Management Agreement, any persons providing services to the Company (including the Directors) may deal, as principal or agent, with the Issuer or the Master Fund.

The Company may not be able to deploy the proceeds of the global offering as quickly as it currently expects, and will operate in a highly competitive market for investment opportunities.

Although the Company expects to fully deploy substantially all of the net proceeds of the global offering rapidly following the closing of the global offering, including in investments that the Investment Manager has already identified for potential investment, the Company may not be able to deploy the proceeds of the global offering as quickly as it currently expects. In addition, the Company may be subject to significant competition in seeking investments in the future as its current investments liquidate and it looks to reinvest the proceeds. Some of the Company's competitors may have greater resources than it does and the Company may not be able to compete successfully for investments. Furthermore, competition for investments in the Company's target asset classes may lead to the price of such investments increasing, which may limit the Company's ability to generate its desired returns.

The Issuer may experience fluctuations in its periodic operating results.

The Issuer may experience fluctuations in its operating results from month-to-month and quarter-to-quarter due to a number of factors, including changes in the values of investments that it makes through the Master Fund, which in turn could be due to changes in the amount of distributions, dividends or interest paid in respect of investments, changes in the Issuer's operating expenses and the operating expenses of the Master Fund, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Issuer encounters competition and general economic and market conditions. Such variability may cause the Issuer's results for a particular period not to be indicative of future performance and may lead to volatility in the trading price of the Shares. Fluctuations in the Issuer's operating results may also affect its ability to pay dividends in a particular quarter, which could materially adversely affect the market value of the Shares.

The use of a master-feeder structure and transactions with affiliates may create a conflict of interest.

The use of a master-feeder structure may create a conflict of interest in that different tax considerations for the Issuer and Tetragon Financial Group LP (the "U.S. Feeder Fund") could cause the Master Fund to structure or dispose of an investment in a manner that may be advantageous to the U.S. Feeder Fund but detrimental to the Issuer or the Shareholders. As of March 1, 2007, Polygon Global Opportunities Master Fund, a Polygon affiliate, held an interest of $124 million in the U.S. Feeder Fund, representing an indirect interest of 13% in the Master Fund, and it is possible that investment decisions could be influenced by such interest.

The Issuer is not, and does not intend to become, regulated as an investment company under the Investment Company Act and related rules.

The Issuer has not been and does not intend to become registered as an investment company under the Investment Company Act and related rules. The Investment Company Act and related rules provide certain protections to investors and impose certain restrictions on companies that are registered as investment companies. None of these protections or restrictions is or will be applicable to the Issuer. In addition, in order to registration as an investment company under the Investment Company Act and related rules, the Issuer has implemented restrictions on the ownership and transfer of the Shares, which may materially affect your ability to hold or transfer the Shares. In particular, U.S. investors will be required to hold Shares in certificated form, which will require certain steps to be taken by such investors in order to dispose of their Shares. See "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations".

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect the Company's business, investments and results of operations.

The Issuer, the Master Fund and the Investment Manager are subject to various laws and regulations. In particular, the Issuer and the Master Fund will be required to comply with certain regulatory requirements that are applicable to a Guernsey investment company, including laws and regulations supervised by the Guernsey Financial Services Commission; the Issuer will be required to comply with the Listing Rules (as defined below); and the Issuer will be required to comply with certain Dutch legal requirements that are applicable to collective investment schemes established outside of the Netherlands. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes

could have a material adverse effect on the Company's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, by any of the persons referred to above could have a material adverse effect on the Company's business, investments and results of operations.

Risks Relating to the Investment Manager and Services Providers

The Company's success depends on its continued relationship with the Investment Manager and its Principals and, in turn, on the Investment Manager's relationship with Polygon. If this relationship were to end or the Principals or other key Polygon professionals were to depart, it could have a material adverse effect on the Company's business, investments and results of operations.

The Company relies exclusively on the Investment Manager and its Principals and employees for the management of its investment portfolio. The Company is highly dependent on the financial and managerial experience of the Investment Manager, its Principals and the other investment professionals it employs. If such persons ceased for any reason to participate in the management of the Company, the consequence to the Company would be material and adverse. In addition, the Company is not a direct beneficiary of any employment arrangements between such individuals and the Investment Manager, and such arrangements are in any event subject to change without notice to, or the consent of, the Company.

The Company will depend on the diligence, skill and business contacts of the Principals, and on the information and deal flow they generate during the normal course of their activities. The Company's future success will depend on the continued service of these individuals, who are not obligated to remain associated with the Investment Manager. The Company cannot predict the impact that any such departures would have on its ability to achieve its investment objective. The departure of any of such persons, or a significant number of its other investment professionals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on the Company's ability to achieve its investment objective. In addition, a transfer of control over the Investment Manager could result in the departure or reassignment of some or all of the Investment Manager's investment professionals that are involved in the Company's business. None of these events would entitle the Company to terminate the Investment Management Agreement.

In addition, the Company depends on the services provided to the Investment Manager by Polygon as Services Providers under the Services Agreement. Any termination of the Services Agreement could materially and adversely affect the Company's business. Neither the Issuer nor the Master Fund is a party to the Services Agreement and accordingly the Issuer and the Master Fund have no consent rights as to termination thereof or amendment thereto.

There can be no assurance that any successor to the Investment Manager or Services Providers will have the same level of skill in performing the obligations of the Investment Manager or Services Providers, in which event the ability of the Issuer to pay dividends could be adversely affected. If the Investment Manager or the Services Providers were to cease to provide services under the Investment Management or Services Agreements or to cease to provide investment management, operational and financial advisory services to the Issuer or the Master Fund for any reason, the Company could experience difficulty in making new investments, the Company's business and prospects could be materially harmed and the value of its existing investments and its results of operations and financial condition could be likely to suffer materially.

The Company will be reliant on the skill and judgment of the Investment Manager in valuing and determining an appropriate purchase price for its investments. Any determinations of value that differ materially from the values the Company realizes at the maturity of the investments or upon their disposal will likely have a negative impact on the Company and its Share price.

The Company will be dependent on the Investment Manager's assessment of an appropriate acquisition price for, and ongoing valuation of, all of its investments including Residual Tranches and certain other illiquid investments. The acquisition price determined by the Investment Manager in respect of a residual income position will be based on the returns (internal rate of return or discount rates for such asset as well as the expected cash flow returns) that the Investment Manager expects the investment to generate, utilizing a financial model that reflects numerous variables including, among other things, the Investment Manager's assessment of the nature of the investment and the relevant collateral, security position, risk profile, historical default rates and the originator and servicer of the position. As each of these factors

involves subjective judgments and forward-looking determinations by the Investment Manager, the Investment Manager's experience and knowledge is instrumental in the valuation process.

Since the Investment Manager's valuations will be based on assumptions and estimates, not all of which can be confirmed, whether readily or at all, the Investment Manager's, and therefore the Company's, determinations of fair value of relevant financial assets, including in particular the Company's determination of the value of Residual Tranches, may differ materially from the values that might have been used if a ready market for those investments existed. In the event that the Investment Manager misprices an investment (for whatever reason), the actual returns on the investment may be less than anticipated at the time of acquisition, and a write-down of the carrying value for financial reporting purposes or the NAV of such investment might result. Also the value of the Shares could be adversely affected if the Investment Manager's determinations regarding the fair value of these investments are materially higher than the values that the Company ultimately realizes to maturity of the investments or upon their disposal.

The Investment Manager's compensation structure may encourage the Investment Manager to invest in high risk investments.

In addition to receiving a management fee, the Investment Manager also receives an incentive fee from the Company based upon the appreciation, if any, in the net assets of the Company. Because the incentive fee is unrelated to the amount of capital contributed by Polygon and Polygon's affiliates to the Company, the Investment Manager may have an incentive to make investments that are generally more risky than would be the case in the absence of such arrangements or to use leverage to increase returns on investments. Under certain circumstances, the use of leverage may increase the likelihood of a loss that would adversely affect the market value of the Shares. In addition, because the incentive fee is calculated on a basis which includes unrealized appreciation, it may be greater than if such compensation were based solely on realized gains, which in turn may result in the Issuer's inability to pay dividends.

The compensation of the Investment Manager's personnel contains significant performance-related elements, and poor performance by the Company or any other entity for which the Investment Manager provides services may make it difficult for the Investment Manager to retain staff.

In common with most investment managers, the compensation of the Investment Manager's personnel contains significant performance-related elements which are funded by performance-related fees payable to the Investment Manager by its managed entities in respect of strong performance. Poor performance by any of the Investment Manager's managed entities, including the Issuer and the Master Fund, may reduce the amount available to pay performance-related compensation to the Investment Manager's personnel, which may result in those persons obtaining other employment. In that case, poor performance of the Issuer and the Master Fund may be further compounded by Investment Manager staff departures. In addition, as the performance-related compensation of the Investment Manager's personnel will depend on the performance of more than one fund and not just that of the Issuer and the Master Fund, poor performance of one managed entity, other than the Issuer or Master Fund, could adversely impact the Issuer if it led to the departure of Investment Manager personnel.

Risks Relating to Affiliated Relationships

The Company's organizational, ownership and investment structure may create significant conflicts of interest that may be resolved in a manner which is not always in the best interests of the Company or the Shareholders.

The Company's organizational, ownership and investment structure involves a number of relationships that may give rise to conflicts of interest between the Company and the Shareholders, on the one hand, and the Investment Manager, the Services Providers and the Principals, on the other hand, owing to the affiliations of the latter group with Polygon and the Polygon Global Opportunities Master Fund (or other Polygon-affiliated entities). In certain instances, the interests of the Investment Manager, the Services Providers and the Principals may differ from the interests of the Company and the other Shareholders, including with respect to the types of investments made, the timing and method in which investments are exited, the timing and amount of distributions by the Issuer, the purchase by the Company of investments currently held by Polygon's affiliates, the investment by the Company in Securitization Vehicles managed by Polygon and Polygon's affiliates (including the Investment Manager), the reinvestment of returns generated by investments and the appointment of outside advisors and services providers. There can be no assurance that any such conflict would be resolved in favor of the Company and the Shareholders.

The Issuer's arrangements and the arrangements of the Master Fund with the Investment Manager, and the Investment Manager's arrangements with the Services Providers, were negotiated in the context of an affiliated relationship and may contain terms that are less favorable than those which otherwise might have been obtained from unrelated parties in an arm's-length negotiation.

The terms of the Investment Management Agreement and the Company's investment objective were established by persons who were, at the relevant time, affiliates of the Investment Manager and one another. The terms of the Services Agreement, which is between the Investment Manager and the Services Providers, were similarly established in a related party context. Because these arrangements were negotiated between related parties, their terms, including terms relating to compensation, contractual or fiduciary duties, conflicts of interest, termination rights and the Investment Manager's and Services Providers' ability to engage in outside activities, including activities that compete with the Issuer, the Issuer's activities and the activities of the Master Fund, and limitations on liability and indemnification, may be less favorable than otherwise might have resulted if the negotiations had involved unrelated parties. Persons who acquire Shares in the global offering and their transferees will be deemed to have agreed that none of those arrangements constitutes a breach of any duty that may be owed to them under the Articles of Association or any duty stated or implied by law or equity.

The Shares do not carry any voting rights other than limited voting rights in respect of variation of their class rights. The Voting Shareholder will be able to control the composition of the Board of Directors and exercise extensive influence over the Issuer's and the Master Fund's business and affairs.

Under the Articles of Association, holders of the Shares are not entitled to vote on any matters relating to the Issuer or to participate in the management or control of its business and affairs. In particular, the Shareholders do not have the right to cause a new Investment Manager to be appointed, elect or remove Directors, prevent a change of control of the Issuer or propose changes to or otherwise approve its investment objective or strategies. In addition, the Shareholders do not have the right to cause the Investment Manager to withdraw from the management of the Master Fund. As a result, the Shareholders will not be able to influence the direction of the Company's business and affairs, including the Company's investment objective, or to cause a change in its management, even if they are unsatisfied with the performance of the Investment Manager.

The Voting Shareholder, an affiliate of Polygon and the Investment Manager, holds all of the Voting Shares (as defined below). As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Issuer's Directors. Affiliates of Polygon also control the Investment Manager and, accordingly, control the Company's business and affairs. Under the Articles of Association, a majority of the Issuer's seven Directors are required to be independent, satisfying in all material respects the U.K. Combined Code definition of that term. However, because the Board of Directors may generally take action only with the approval of five of its Directors, the Board of Directors generally will not be able to act without the approval of one or more Directors who are affiliated with Polygon. The Voting Shares will have the right to amend the Articles of Association to change these provisions regarding Independent Directors (as defined below). As a result of these provisions, the Independent Directors may be limited in their ability to exercise influence over the Issuer's and the Master Fund's business and affairs.

The activities of Polygon may create conflicts of interest.

Certain inherent conflicts of interest may arise from the fact that Polygon, an affiliate of the Investment Manager, currently provides investment management services to the Polygon Global Opportunities Master Fund and may, in the future, carry on investment activities for other clients, including other investment funds, Securitization Vehicles, client accounts and proprietary accounts in which the Company will have no interest and whose respective investment programs may or may not be substantially similar. Participation in specific investment opportunities may be appropriate at times for both the Company and such other investment programs. In particular, the investment program of the Polygon Global Opportunities Master Fund allows investments in Securitization Vehicles and other instruments in which the Company may invest, which may lead the Investment Manager to pursue investment opportunities other than in the way most advantageous to the Company. In addition, the portfolio strategies employed for other investment programs could conflict with the transactions and strategies employed in managing the Company's portfolio and affect the prices and availability of the securities and instruments in which the Company invests.

The Investment Manager may devote time and commitment to other activities.

The Investment Manager and its affiliates, partners, members, officers, principals and employees devote as much of their time to the activities of the Company as the Investment Manager deems necessary and appropriate. The Investment Manager and its affiliates are not restricted from forming additional investment funds, forming or sponsoring CDO products and other Securitization Vehicles, serving as collateral manager for CDO products and other Securitization Vehicles, entering into other investment management relationships or engaging in other business activities, even though such activities may be in competition with the Company and/or may involve substantial time and resources of the Investment Manager and its affiliates. The existence of activities that compete for the time and commitment of the Investment Manager may result in the Company's investment performance being less favorable than it would have been had resources and personnel been devoted exclusively to the Company.

Financing Risks

The use of leverage will expose the Company to additional levels of risk.

In addition to the embedded leverage in a Securitization Vehicle, the Company may apply leverage to the investments in its portfolio. There are no restrictions on the amount of leverage it may apply for its investments. The Company may borrow funds from brokerage firms, banks, other institutions and Polygon and Polygon's affiliates in order to increase the amount of capital available for investment. This debt financing may be secured against some or all of the Company's assets. In addition, the Company may in effect borrow funds through entering into repurchase and similar agreements, and may "leverage" its investment return with options, futures contracts, swaps, forward contracts and other derivative instruments. The amount of debt financing which the Company may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates generally and the rates at which the Company can borrow in particular will affect the operating results of the Issuer, and an increase in interest rates could affect the Issuer's ability to pay dividends on the Shares. The Company's return on investments and cash available for distribution to Shareholders would be reduced to the extent that its interest expense increases relative to income, such as may occur in the event of a general rise in interest rates, or in the event of losses arising from the sale of assets. Interest rates are highly sensitive to factors beyond the Company's control, including, among other things, governmental monetary and tax policies and domestic and international economic and political conditions. Leverage also has the effect of magnifying both profits and losses compared with unleveraged positions.

Although the use of leverage may increase Shareholder returns if the Company earns a greater return on leveraged investments than the Company's cost of such leverage, the use of leverage exposes the Company to additional levels of risk. Where an investment fails to earn a return that equals or exceeds the Company's cost of leverage related to such investments, the Issuer's ability to generate cash flow and pay dividends would be adversely affected. In addition, should the securities pledged to brokers to secure the Company's margin accounts decline in value, the Company could be subject to a "margin call" pursuant to which the Company will be required to either deposit additional funds with the lender or suffer mandatory liquidation of the pledged securities to compensate for the decline in the securities' value.

If the Company breaches the covenants under its financing agreements it could be forced to sell assets.

The Company is or may become party to various loan, repurchase and other financing agreements which are likely to contain financial and other covenants that could, among other things, require it to maintain certain financial ratios. Should the Company breach the financial or other covenants contained in any loan, repurchase or other financing agreement, the Company may be required immediately to repay such borrowings in whole or in part, together with any attendant costs. If the Company does not have sufficient cash resources or other credit facilities available to make such repayments, it may be forced to sell some or all of the assets constituting its investment portfolio. To the extent that the Company's borrowings are secured against all or a portion of its assets, a lender may be able to sell those assets. Sales of assets in such circumstances may not yield excess value for the Company. Moreover, any failure to repay such borrowings or, in certain circumstances, other breaches of covenants under the Company's loan or repurchase agreements could result in the Issuer being required to suspend payment of its dividends.

In addition, the Company's financing arrangements may contain cross-default provisions such that a default under one particular financing arrangement could automatically trigger defaults under other financing arrangements. Such cross-default provisions could therefore magnify the effect of an individual default, and, if such a provision were exercised, result in a substantial loss for the Company.

Risks Relating to Taxation

U.S. investors may suffer adverse tax consequences because the Issuer will be treated as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes.

The Issuer is a PFIC for U.S. federal income tax purposes because of the composition of its assets and the nature of its income. As a result, U.S. investors will be subject, unless a special election is made, to adverse U.S. federal income tax consequences including additional taxes and interest charges upon disposition of the Shares or upon the receipt of certain distributions. For a further discussion of the PFIC rules and mitigating elections see "Part VII—Certain Tax Considerations—United States Taxation—Passive Foreign Investment Company Considerations".

Changes to tax treatment of derivative instruments may adversely affect the Issuer and certain tax positions it may take may be successfully challenged.

The regulatory and tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by the Issuer and its ability to pursue its investment strategies. In addition, the Issuer may take positions with respect to certain tax issues which depend on legal conclusions not yet resolved by the courts. Should any such positions be successfully challenged by an applicable taxing authority, there could be a material adverse effect on the Issuer.

Investors may suffer adverse tax consequences if the Issuer or the Master Fund is treated as resident in the U.K. or the U.S. for tax purposes.

The Issuer and the Master Fund intend to manage their affairs so that neither of them is subject to regular U.S. federal income taxation on a net income basis or subject to U.K. corporation tax on income and capital gains. However, there can be no assurance that the conditions necessary to prevent any such tax treatment will at all times be satisfied. Any such taxation could adversely affect the Issuer's cash flow and results of operations. For a further discussion of United Kingdom taxation and United States taxation, see "Part VII—Certain Tax Considerations—United Kingdom Taxation" and "Part VII—Certain Tax Considerations—United States Taxation".

Risks Relating to the Offer

An investment in the Shares involves substantial risks.

An investment in the Shares involves a higher amount of risk than certain other investments. Those risks may not always be possible to quantify in type or magnitude. As a result, an investment in the Shares is designed for professional and sophisticated investors and may not be suitable for someone with low risk tolerance. For a detailed discussion of the types of investments that the Company may make, see "Part III—The Company's Investments and Their Characteristics".

The Shares, which are subject to legal and other restrictions on resale, have never been publicly traded on Eurolist by Euronext Amsterdam. Even if the Issuer is successful in listing the Shares, an active and liquid trading market for the Shares may not develop.

There has never been an active market for the Shares. The Issuer will apply for listing of the Shares on Eurolist by Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. The Issuer cannot predict the extent to which, even if admitted to trading, investor interest will lead to the development of an active and liquid trading market for the Shares or, if such a market develops, whether it will be maintained.

In addition, the Joint Bookrunners may sell a substantial amount of the Shares to a limited number of investors, which, as a result of the Shares being subject to other restrictions on transfer, could impact the development of an active and liquid market for the Shares.

The Issuer cannot predict the effects on the price of the Shares if a liquid and active trading market for the Shares does not develop. In addition, if such a market does not develop, relatively small sales may have a significant negative impact on the price of the Shares. For example, sales of a significant number of Shares may be difficult to execute at a stable price.

The Issuer may decide in the future to list the Shares on a stock exchange other than Euronext Amsterdam N.V. There can be no assurance that an active trading market would develop on such an exchange.

The Shares are subject to restrictions on transfers to any Shareholder located in the United States or who is a U.S. person, which may impact the price and liquidity of the Shares.

The Shares have not been registered in the United States under the Securities Act or under any other applicable securities law and are subject to restrictions on transfer contained in such laws and under regulations under the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA").

There are additional restrictions on the resale of Shares by Shareholders who are located in the United States or who are U.S. persons and on the resale of Shares by any Shareholder to any person who is located in the United States or is a U.S. person. Prospective investors should refer to the section "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Transfer Restrictions". These restrictions may adversely affect overall liquidity of the Shares.

The price of the Shares may fluctuate significantly and you could lose all or part of their investment.

There has never been a market for the Shares. The initial offering price of the Shares may not be indicative of the market price of the Shares. The market price of the Shares may fluctuate significantly and you may not be able to resell your Shares at or above the price at which you purchased them. Factors that may cause the price of the Shares to vary include:

- changes in the Company's financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to the Company's business;
- changes in the underlying values of the investments that the Issuer makes through the Master Fund;
- the termination of the Investment Management Agreement and the departure of some or all of the Principals;
- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company's business;
- sales of the Shares by Shareholders;
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events;
- speculation in the press or investment community regarding the Company's business or investments, or factors or events that may directly or indirectly affect its business or investments;
- a loss of a major funding source; and
- a further issuance of Shares.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies or partnerships. Any broad market fluctuations may adversely affect the trading price of the Shares.

The Euronext Amsterdam N.V. trading market is less liquid than other major exchanges, which could affect the price of the Shares.

The principal trading market for the Shares is expected to be Eurolist by Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V., which is less liquid than major markets in the United States and certain other European markets. As a result, the Shareholders may face difficulty when disposing of their Shares, especially in large blocks. In addition, a disproportionately large percentage of the market capitalization and trading volume of Eurolist by Euronext Amsterdam is represented by a small number of listed companies and conglomerates. Fluctuations in the prices of these companies' securities may have a significant effect on the market price for the securities of other listed companies, including the price of the Shares.

The market price of the Shares could be adversely affected by sales or the possibility of sales of substantial amounts of these securities.

Immediately following the global offering, 11.6% of the outstanding Shares (based on the estimated NAV as of immediately prior to the global offering and the estimated Conversion Ratios set forth on page 175 (assuming no allocation is made to the holders of Growth Shares (as defined below)) and calculated on an

illustrative basis to reflect Exchanges (as defined below) of all U.S. Feeder Fund limited partnership interests) will be owned by Polygon and its affiliates. Although all of these Shares are subject to limited 360-day lock-up agreements, and other Existing Investors who have consented to the Share Conversion Transactions or LP Conversion Transactions (each as defined below) are subject to limited 90-day lock-up agreements, the Issuer cannot assure you that these holders will not sell substantial amounts of their Shares upon any waiver, expiration or termination of the restrictions. The occurrence of any such sales, or the perception that such sales might occur, could have a material adverse effect on the price of the Shares and could impair the Issuer's ability to obtain capital through an offering of equity securities.

The Issuer or the Master Fund may issue additional securities that dilute existing holders of Shares. Actual NAV as of the Closing Date may be less than the estimated NAV presented in this prospectus, which would result in dilution to investors purchasing Shares in the global offering.

Under the Articles of Association, the Issuer may issue additional securities, including Shares, and options, rights, warrants and appreciation rights relating to the Issuer's securities for any purpose. The Issuer is not required under Guernsey law to offer any such Shares or other securities to existing Shareholders on a preemptive basis. Therefore, it may not be possible for existing Shareholders to participate in such future issues, which may dilute the existing Shareholders' interests in the Issuer. The Master Fund will have the power to issue additional securities under its articles of association. Investors in such securities may have rights and privileges more favorable than investors in the Shares. Any such issuance by the Issuer or the Master Fund would dilute investors' indirect interests in the Master Fund and could cause the market price of the Shares to decline. The Investment Manager will be granted options on the closing date of the global offering (the "Closing Date") in an amount equal to 10% of the Shares outstanding immediately after the closing of the global offering, exercisable at the Offer Price. An exercise of such options would result in dilution to investors and, if the exercise occurs at a time when NAV is above the Offer Price, would be dilutive to NAV.

The number of Shares received by Existing Investors in the Share Conversion Transactions will be determined by reference to an estimated NAV as of the Closing Date. Actual NAV as of the Closing Date may be less than this estimated amount, which could result in dilution to investors purchasing Shares in the global offering as described under "Part XII—Additional Information—Dilution".

If the closing of the global offering does not take place on the Settlement Date or at all, investors may incur losses or liabilities as a result of the cancellation of transactions on Eurolist by Euronext Amsterdam.

The Issuer will apply for all of the Shares to be listed on Eurolist by Euronext Amsterdam under the symbol "TFG". Trading in the Shares before closing of the global offering will take place on an "as-if-and-when-issued-or-delivered basis". The Settlement Date, on which the closing of the global offering is scheduled to take place, is expected to occur on or about April 26, 2007, the fifth Business Day following the date on which trading is expected to commence (T+5). The closing of the global offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the purchase/placement agreement are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers' certificates and legal opinions and such events include the suspension of trading on Eurolist by Euronext Amsterdam or a material adverse change in the financial condition or business affairs of the Company or in the financial markets.

If the closing of the global offering does not take place on the Settlement Date or at all, the global offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments will be deemed not to have been made, any subscription payments will be returned without interest or other compensation and all transactions in the Shares on Eurolist by Euronext Amsterdam will be cancelled. All dealings in the Shares on Eurolist by Euronext Amsterdam prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam N.V. does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the global offering or the related annulment of any transactions on Eurolist by Euronext Amsterdam.

Your ability to invest in the Shares or to transfer any Shares that you hold may be limited by restrictions imposed by ERISA regulations, the Articles of Association and other tax considerations.

Except with respect to U.S. persons who acquire Shares in the Share Conversion Transactions or in an Exchange (each as defined below) (the "Converted Shareholders") to the extent of the Shares acquired by such Converted Shareholders in the Share Conversion Transactions or an Exchange, the Issuer intends to

restrict the ownership and holding of the Shares so that none of its assets will constitute "plan assets" of any Plan (as defined in "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Certain ERISA Considerations"). The Issuer intends to impose such restrictions based on deemed representations in the case of the Shares. If the Issuer's assets were deemed to be "plan assets" of any Plan subject to Title I of ERISA or Section 4975 of U.S. Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code"), pursuant to U.S. Department of Labor regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA), which we refer to as the "Plan Asset Regulations", (i) the prudence and other fiduciary responsibility standards of ERISA would apply to investments made by the Issuer and (ii) certain transactions that the Issuer, the Master Fund or a subsidiary of the Master Fund may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of U.S. Internal Revenue Code and might have to be rescinded. Governmental plans, certain church plans and non-U.S. plans, although not subject to Title I of ERISA or Section 4975 of U.S. Internal Revenue Code, may nevertheless be subject to other state, local, non-U.S. or other laws or regulations that would have the same effect as the Plan Asset Regulations so as to cause the underlying assets of the Issuer to be treated as assets of an investing entity by virtue of its investment (or any beneficial interest) in the Issuer and thereby subject the Issuer, the Master Fund or the Investment Manager (or other persons responsible for the investment and operation of the Issuer's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of U.S. Internal Revenue Code. We refer to these laws as "Similar Laws".

Each purchaser and subsequent transferee of the Shares will be deemed to represent and warrant that no portion of the assets used to acquire or hold its interest in the Shares constitutes or will constitute the assets of any Plan. The Articles of Association provide that any purported acquisition or holding of Shares in contravention of the restriction described in such representation will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of Shares is not treated as being void for any reason, the Shares will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such Shares. See "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Certain ERISA Considerations" for a more detailed description of certain ERISA, U.S. Internal Revenue Code and other considerations relating to an investment in the Shares.

NOTICE TO INVESTORS

About this prospectus

This prospectus has been produced for the purpose of the global offering and admission to trading of the Shares on the regulated market of Euronext Amsterdam N.V. In making an investment decision regarding the Shares offered, investors must rely on their own examination of the Issuer, including the merits and risks involved in an investment in the Shares. The global offering is being made solely on the basis of this prospectus. The Listing Agents and Joint Bookrunners make no representation or warranty, express or implied, as to the accuracy or completeness of the information in this prospectus and nothing in this prospectus is, or shall be relied upon as, a promise or representation by the Listing Agents or the Joint Bookrunners. Each of the Listing Agents and the Joint Bookrunners accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this prospectus or any such statement. The contents of this prospectus are not to be construed as legal, financial, business or tax advice. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser.

This prospectus constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council and has been prepared in accordance with Article 5:2 of the FMSA, as amended, and the rules promulgated thereunder. This prospectus has been approved by and filed with the AFM.

The Issuer accepts responsibility for the information contained in this prospectus. To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989 (the "COBO"), has been obtained for the circulation of this prospectus and the associated raising of monies by the issuance of Shares. Neither the Guernsey Financial Services Commission (the "GFSC") nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Issuer or for the correctness of any of the statements made or the opinions expressed with regard to the Issuer.

Consent under the COBO has been obtained for the circulation of this prospectus and the associated raising of monies by the issuance of shares of the Master Fund. Neither the GFSC nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Master Fund or for the correctness of any of the statements made or the opinions expressed with regard to the Master Fund.

This prospectus represents scheme particulars with respect to the Master Fund.

Other than as disclosed herein, neither the Shares nor the Issuer has been approved or disapproved by any governmental or regulatory authority of any country or jurisdiction, nor has any such governmental or regulatory authority passed upon or endorsed the merits of the Issuer or an investment in its Shares.

Prospective investors should rely only on the information contained in this prospectus. The Issuer has not, and the Listing Agents and Joint Bookrunners have not, authorized any other person to provide prospective investors with different information. No reliance should be placed on any different or inconsistent information provided by any person. Prospective investors should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any offer or sale of Shares. The business, financial condition, results of operations and prospects of the Company could have changed since that date. The Issuer expressly disclaims any duty to update this prospectus except as required by applicable law. Potential investors are advised to read this document in its entirety before making any subscription for or investment in Shares and, in particular, the sections of this document entitled "Summary", "Risk Factors", "Part I—The Company's Business", "Part III—The Company's Current Investments and their Characteristics" and "Part IV—Operating and Financial Review and Prospects" for a further discussion of the factors that could affect the Company's future performance. All Shareholders are entitled to the benefit of, are bound

by, and are deemed to have notice of, the provisions of the Articles of Association, which investors should review.

Important Information

Investors should note that Deutsche Bank, Morgan Stanley and/or their affiliates have acted, and in some cases, continue to act, in various capacities in relation to the issuers of certain securities in which the Company invests or may invest, including as manager, servicer, security trustee, equity holder and/or secured lender to affiliates of the issuer of the relevant securities. Deutsche Bank, Morgan Stanley and/or their affiliates in their capacity as lender to certain of the issuers of securities in which the Company invests or its affiliates may hold security interests in various of those issuers' assets, some of which assets may also secure obligations owed to holders of the relevant issuer's securities, which may include the Company. In addition, Deutsche Bank and Morgan Stanley may act as lender to the Company, including with respect to any financing provided to the Company or its affiliates under the Prime Brokerage Agreement (as defined in "Part XII—Additional Information—The Issuer—General—Prime Brokerage Agreement"). In addition, each of Morgan Stanley and Deutsche Bank has agreed to provide financing in connection with potential CDO transactions and other investments. See "Part XII—Additional Information—General—Material Contracts—Other Financing Arrangements". Each role confers specific rights to, and obligations on, Deutsche Bank, Morgan Stanley and/or their affiliates. In carrying out these rights and obligations, the interests of Deutsche Bank, Morgan Stanley and/or their affiliates may not be aligned with the interests of a potential investor in the Issuer's Shares.

In connection with the global offering, the Joint Bookrunners and any of their respective affiliates acting as an investor for its own account may take up the Shares and in that capacity may retain, purchase or sell the Shares, for its own account and may offer or sell such securities otherwise than in connection with the global offering. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to so so.

Over-allotment and Stabilization

In connection with the global offering, Deutsche Bank, AG, London Branch (the "Stabilization Agent) or any of its agents, may, to the extent permitted by applicable law, over-allot Shares up to a maximum of 20% of the total number of Shares comprised in the global offering and effect other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market.

For the purposes of allowing the Stabilization Agent to cover short positions resulting from any such over-allotments by it during the stabilizing period, the Voting Shareholder has granted to the Joint Bookrunners an Over-allotment Option, pursuant to which the Joint Bookrunners may require the Voting Shareholder to sell additional Shares up to (in aggregate) a maximum of 15% of the total number of Shares issued under the global offering at the Offer Price less the Joint Bookrunners' commission. The Over-allotment Option is exercisable in whole or in part, upon notice by the Joint Bookrunners, at any time on or after the Listing Date until 30 days thereafter.

The Stabilization Agent is not required to enter into such stabilizing transactions. Such stabilizing measures, if commenced, may be discontinued at any time and may only be taken up at any time on or after the Listing Date and will end no more than 30 days after the Listing Date. Save as required by law or regulation, neither the Stabilization Agent nor any of its agents intend to disclose the extent of any over-allotments and/or stabilization transactions under the global offering.

Restrictions on Distribution and Sale

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States nor is such registration contemplated. The Shares may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to an exemption from the registration requirements of the Securities Act. The Issuer has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act. The Shares may not be reoffered, resold, pledged or otherwise transferred except as permitted by the Articles of Association and as provided in this prospectus. See "Selling Restrictions" and "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations" for a further

description on the restrictions on purchasers in the global offering as well as subsequent purchasers of the Shares.

THE SHARES HAVE NOT BEEN APPROVED OR RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY U.S. STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

The distribution of this prospectus and the offer, sale and/or issue of Shares in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer, Deutsche Bank and Morgan Stanley to inform themselves about, and to observe, any such restrictions. This prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorized; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this prospectus and the offering of Shares in certain jurisdictions may be restricted. Accordingly, persons outside the Netherlands into whose possession this document comes are required by the Issuer, Deutsche Bank and Morgan Stanley to inform themselves about and to observe any restrictions as to the offer or sale of Shares and the distribution of this document under the laws and regulations of any territory in connection with any subscriptions for Shares in the Issuer, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction (other than the Netherlands) by the Issuer, Deutsche Bank, Morgan Stanley, the Investment Manager or the Administrator that would permit a public offering of Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is required.

Further, no purchase, sale or transfer of Shares may be made unless such purchase, sale or transfer will not result in the assets of the Issuer constituting "plan assets" within the meaning of ERISA that are subject to Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code"). Accordingly, investors using assets of retirement plans or benefit plans that are subject to ERISA or Section 4975 of U.S. Internal Revenue Code (including, as applicable, assets of an insurance company general account) will not be permitted to acquire Shares, and each investor will be required to represent or will, by its acquisition of a Share, be deemed to have represented, that it is not a "benefit plan investor" within the meaning of ERISA that is using assets of a Plan that is subject to ERISA or Section 4975 of U.S. Internal Revenue Code. Any purported purchase or transfer of a Share that would cause the Issuer's assets to be deemed to be "plan assets" under ERISA that are subject to Title I of ERISA or Section 4975 of U.S. Internal Revenue Code, or otherwise does not comply with the foregoing, is subject to restrictions as provided in the Issuer's Articles of Association and this prospectus.

The Shares are transferable, subject to the restrictions described herein. Each transferor of Shares agrees to provide notice of the transfer restrictions set forth herein to the transferee.

PURSUANT TO AN EXEMPTION FROM THE U.S. COMMODITIES FUTURES TRADING COMMISSION ("CFTC") IN CONNECTION WITH POOLS WHOSE PARTICIPANTS ARE LIMITED TO "QUALIFIED ELIGIBLE PERSONS", THE INVESTMENT MANAGER IS NOT REGISTERED WITH THE CFTC AS A COMMODITY POOL OPERATOR ("CPO") OR AS A COMMODITY TRADING ADVISER. UNLIKE A REGISTERED CPO, NEITHER IS REQUIRED TO DELIVER A DISCLOSURE DOCUMENT AND A CERTIFIED ANNUAL REPORT TO PARTICIPANTS IN THIS POOL. IN ADDITION, THE PROSPECTUS IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE CFTC. THE CFTC DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A POOL OR UPON THE ADEQUACY OR ACCURACY OF ANY PROSPECTUS. CONSEQUENTLY, THE CFTC HAS NOT REVIEWED OR APPROVED THIS OFFERING OR THIS PROSPECTUS.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF

NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available Information

For so long as any of the Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

Service of Process and Enforcement of Civil Liabilities

The Issuer is incorporated under Guernsey law. Service of process upon Directors and officers of the Issuer, the majority of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since most directly-owned assets of the Issuer are outside the United States, any judgment obtained in the United States against it may not be collectible within the United States. There is doubt as to the enforceability in England and Guernsey in original actions (or, in the case of Guernsey, in actions for enforcement of judgments of U.S. courts), of civil liabilities predicated upon U.S. federal securities laws. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Guernsey or the Netherlands.

Presentation of Information

In this prospectus, all references to

- the "Issuer" are to Tetragon Financial Group Limited;
- the "Master Fund" are to Tetragon Financial Group Master Fund Limited;
- the "Company" are to the Issuer together with the Master Fund. The Company invests through a "master-feeder" structure whereby the Issuer's only direct investment is shares in the Master Fund. Therefore, all investments of the Company are made through the Master Fund;
- the "Company's portfolio" or the "Company's investments" are to the investments directly held by the Master Fund, and indirectly held by the Issuer through its investment in the Master Fund;
- "Investment Manager" are to Polygon Credit Management LP;
- "Principal Manager" are to Polygon Credit Management (Guernsey) Limited, the principal manager of the Issuer and the Master Fund under the existing principal management agreement among the Principal Manager, the Issuer, the Master Fund and the U.S. Feeder Fund; such principal management agreement will terminate on the Closing Date and the Issuer, Master Fund and U.S. Feeder Fund will cease to have a principal manager;
- "Polygon" are to Polygon Investment Partners LLP, together with its affiliated management companies, other than the Investment Manager;
- the "U.S. Feeder Fund" are to Tetragon Financial Group LP;
- "Euro" or "€" are to the lawful single currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the treaty establishing the European Economic Community, as amended by the treaty on the European Union; and
- "U.S. Dollars" or "$" are to the lawful currency of the United States;

Certain terms used in this document, including capitalized terms and certain technical and other terms, are explained in the section entitled "Definitions and Glossary".

Unless the context otherwise requires, descriptions of the capital structure and corporate governance of the Issuer and the Master Fund, the arrangements between the Investment Manager and the Company and the closed-ended investment company status of the Issuer are as they will be in effect at the time of the closing of the global offering.

Presentation of Financial Information

The financial statements of the Issuer contained in Part IX of this prospectus are the audited financial statements of the Issuer for the period from June 23, 2005 to December 31, 2005 and for the year ended December 31, 2006. The financial statements of the Master Fund contained in Part IX of this prospectus are the audited financial statements of the Master Fund for the period from June 23, 2005 to December 31, 2005 and for the year ended December 31, 2006.

The financial statements of the Issuer are prepared under U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). Certain financial information in this prospectus has been rounded and, as a result, the totals of the data presented may vary slightly from the actual arithmetic totals of such information.

Forward-Looking Statements

This prospectus contains certain forward-looking statements based on beliefs, assumptions, targets and expectations of future performance, taking into account all information currently available to the Issuer.

These beliefs, assumptions, targets and expectations may change as a result of many possible events or factors, in which case the Company's investment objective, business, financial condition, liquidity and results of operations may vary materially from those expressed in the forward-looking statements. See "Special Note Regarding Forward-Looking Statements".

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Issuer concerning, among other things, the investment objective, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects and dividend policy of the Issuer and the Master Fund and the markets in which it invests. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend policy of the Company, and the development of its financing strategies, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- the risk factors set forth above in the section entitled "Risk Factors" in this prospectus;
- changes in economic conditions generally and the debt markets specifically;
- changes in the Investment Manager's investment strategy;
- changes in interest rates and/or credit spreads, as well as the success of the Investment Manager's hedging strategy in relation to such changes;
- impairments in the value of the collateral underlying the Company's investments in Securitization Vehicles;
- impairments in the value of the Company's investments;
- legislative/regulatory changes;
- changes in taxation regimes;
- the Issuer's continued ability to invest the cash on its balance sheet and the proceeds of this global offering in suitable investments on a timely basis;
- the availability and cost of capital for future investments; and
- competition within the finance industry.

Subject to its legal and regulatory obligations, the Issuer expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Potential investors are advised to read this document in its entirety before making any investment in Shares and, in particular, the sections of this document entitled "Summary", "Risk Factors", "Part I—The Company's Business", "Part III—The Company's Current Investments and their Characteristics" and "Part IV—Operating and Financial Review and Prospects" for a further discussion of the factors that could affect the Company's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Articles of Association, which investors should review.

SELLING RESTRICTIONS

General Selling Restriction

This prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorized; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this prospectus and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this prospectus comes are required to inform themselves about and observe such restrictions.

Notice to prospective investors in the United States

The Shares have not been and will not be registered under the Securities Act. The Shares may not be offered or sold within the United States or to U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Bookrunner has agreed that (1) it will offer and sell Shares under the purchase/placement agreement outside the United States only in accordance with Rule 903 of Regulation S and (2) it will not offer or sell the Shares under the purchase/placement agreement at any time within the United States or to U.S. persons except to persons that it reasonably believes to be both (a) QPs and (b) either (i) QIBs or (ii) AIs that are existing investors in the Issuer or the U.S. Feeder Fund prior to the global offering. Each U.S. purchaser of Shares is hereby notified that the offer and sale of Shares to it is being made in reliance upon the relevant exemption under the Securities Act and under the relevant provisions of the Investment Company Act and related rules.

The Shares offered and sold to AIs in the global offering are being offered and sold directly by the Issuer.

The Shares issued to U.S. persons will be in registered form and certificates evidencing ownership thereof will bear a legend with respect to the restrictions on transfer set forth herein. The Issuer and the Issuer's agents will not be obligated to recognize any resale or other transfer of Shares made other than in compliance with the Transfer Restrictions set forth in this prospectus. In addition, purchasers of the Shares that are in the United States or that are U.S. persons may, if they are not qualified purchasers at the time they acquire the Shares, be forced to sell them. For a description of important restrictions on the Shares initially offered and sold in the United States or to U.S. persons, see "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations".

Each purchaser and subsequent transferee of Shares will be deemed to have represented and warranted, or will be required to represent and warrant in writing, that no portion of the assets used to acquire or hold its interest in the Shares constitutes or will constitute the assets of any Plan (as defined in "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Certain ERISA Considerations"). The Articles of Association provide that any purported acquisition or holding of Shares in contravention of the restriction described in the representation will be void and have no force and effect. If, notwithstanding the foregoing, a purported acquisition or holding of Shares is not treated as being void for any reason, the Shares will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such Shares.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (as defined below) or where the Prospectus Directive is applied by the regulator (each, a "Relevant Member State"), each Joint Bookrunner has represented and agreed that it has not made and will not make an offer of the Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may make an offer of the Shares to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43 million and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- in any other circumstances which do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the Shares to the public" in relation to any Shares in any Relevant Member State means the communication to persons in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Notice to prospective investors in Australia

This prospectus is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) and has not been lodged with the Australian Securities and Investments Commission ("ASIC"). This prospectus does not purport to include the information required of a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth). The offer of Shares referred to in this prospectus is made only to persons to whom it is lawful to offer shares in Australia without a disclosure document lodged with ASIC. This means the offer is directed only to investors who come within one of the categories set out in section 708(8) or 708(11) of the Corporations Act 2001 (Cth) and only where that investor is also a "wholesale client" as defined in section 761G of the Corporations Act 2001 (Cth) (collectively referred to as Sophisticated and Professional Investors).

As no formal disclosure document (such as a prospectus) will be lodged with ASIC, the Shares will be offered and issued to one of the categories of Sophisticated or Professional Investors. If a person to whom Shares are issued (an "Investor") on-sells Shares within 12 months from their issue, the Investor will be required to lodge a prospectus with ASIC unless either:

- that sale is to another Sophisticated or Professional Investor; or
- the sale offer is received outside Australia.

Each Investor acknowledges the above and, by applying for Shares under this prospectus, gives an undertaking not to sell those Shares in any circumstances other than those described in paragraphs (a) and (b) above for 12 months after the date of issue.

This prospectus is distributed to investors in Australia and any offer of Shares made to investors in Australia in each case subject to the conditions set out above, on behalf of Morgan Stanley & Co. International Limited by Morgan Stanley Dean Witter Australia Securities Limited and on behalf of Deutsche Bank AG by Deutsche Bank AG, Sydney Branch each of which holds an Australian Financial Services License which permits such licenseholder to distribute this prospectus and offer the Shares to investors in Australia.

The Issuer is not licensed to provide financial product advice in Australia and nothing in this prospectus takes into account the investment objectives, financial situation and particular needs of any individual investors. The Joint Bookrunners recommend that you read this prospectus before making a decision to acquire Shares.

Notice to prospective investors in Austria

No public offer within the meaning of section 1 para 1 no 1 of the Austrian Capital Markets Act (*Kapitalmarktgesetz, KMG)* or section 24 of the Austrian Investment Funds Act (*Investmentfondsgesetz, InvFG*) or section 33 of the Austrian Investment Funds Act of the Shares is being made in Austria. The Shares are not registered or authorized for distribution under the Austrian Investment Funds Act. The Shares are being offered by way of a private placement in Austria to a limited number of addresses in Austria whereby the Issuer has determined the identity of the addresses of the global offering by name before the marketing was commenced.

The Issuer is not under the supervision of the Austrian Financial Market Authority *(Finanzmarktaufsichtsbehörde*) or any other Austrian supervision authority. In particular, the structure of

the Issuer, its investment objectives, investor's participation therein, etc. may differ from the structure, investment objectives, investor's participation, etc. of investment vehicles provided for in the Austrian Investment Funds Act.

Neither this document nor any other document in connection with the Shares is a prospectus according to the Austrian Capital Markets Act, the Austrian Stock Exchange Act (*Börsegesetz, BörseG*) or the Austrian Investment Funds Act and has therefore not been drawn up, audited, approved and published in accordance with such acts. Neither this document nor any other document connected with the Shares may be distributed, passed on or disclosed to any other person in Austria, save as specifically agreed with the Issuer. It is prohibited to reveal or use the information contained herein for any purpose other than considering an investment in the Shares, save as specifically agreed with the Issuer and no steps may be taken that would constitute a public offer of the Shares in Austria under the Austrian Capital Markets Act or the Austrian Investment Funds Act. The global offering may not be advertised in Austria save as specifically agreed with the Issuer.

The recipients of this document and any other offering material in respect of the Shares have been individually selected and are targeted exclusively on the basis of a private placement. Accordingly, the Shares must not be, and are not being, offered or advertised, and no offering or marketing materials relating to the Shares must be made available or distributed in any way which would constitute a public offer under either the Austrian Capital Markets Act or the Austrian Investment Fund Act (whether presently or in the future). The Shares may only be (re)sold or transferred in Austria in accordance with the provisions of the Austrian Capital Markets Act, the Austrian Investment Funds Act and any other laws applicable in Austria governing the issue, (re)sale and offering of securities or units in investment funds. Each holder of the Shares represents to the Issuer that such holder will not offer or (re-)sell the Shares in Austria other than in compliance with the Austrian Capital Markets Act, or the Austrian Investment Funds Act. Because of the foregoing restrictions, purchasers are advised to consult legal counsel prior to making any resale of the Shares.

This document is distributed under the condition that the above obligations and representations are accepted by the recipient and that the recipient undertakes to comply with the above restrictions.

Notice to prospective investors in Belgium

This prospectus and related documents have not been approved in Belgium and are not intended to constitute, and may not be construed as, a public offering in the Kingdom of Belgium. Accordingly, these documents may not be distributed or circulated to, and the securities may not be offered or sold to, any member of the public in the Kingdom of Belgium other than qualified investors listed in article 10 of the Law of June 16, 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market, or investors subscribing for a minimum amount of €50,000.00 each for each separate offer and, provided any such investor qualifies as a consumer within the meaning of article 1.7 of the Law of July 14, 1991 on consumer protection and trade practices (the "Consumer Protection Law"), such offer or sale is made in compliance with the provisions of the Consumer Protection Law and its implementing legislation.

Notice to prospective investors in Canada

As no prospectus relating to the Shares has been filed in any Canadian jurisdiction, the Shares may only be sold to investors resident in a Canadian province or territory pursuant to an exemption from the requirement to file such a prospectus provided by National Instrument 45-106 Prospectus and Registration Exemptions of the Canadian securities regulatory authorities or other available exemption under the securities laws of the province or territory in which the investor resides.

Notice to prospective investors in Denmark

This prospectus has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark.

The Shares have not been offered and marketed and may not be offered or marketed in Denmark, unless the Issuer is approved by the Danish Financial Supervisory Authority pursuant to Section 16 of the Danish Act on Investment Associations, Special-Purpose Associations and Other Collective Investment Schemes Etc. and Executive Order no. 1445 of 21 December 2005 on Marketing Carried out by Certain Foreign Investment Undertakings in Denmark issued pursuant thereto as amended from time to time.

Notice to prospective investors in France

The Shares may only be offered or sold, directly or indirectly in the Republic of France, to qualified investors investing for their own account and/or to investment services providers authorized to engage in portfolio management services on a discretionary basis on behalf of third parties, all in accordance with Articles L.411-2-II-(4), D.411-1, D.734-1, D.744-1 and D.764-1 of the French Code *Monétaire et Financier* (the "Monetary and Financial Code"); neither this prospectus, nor any information contained herein or any offering material relating to the Shares, may be distributed or caused to be distributed to the public in France.

This prospectus has not been submitted to the clearance procedure of the Autorité des marchés financiers and the AFM has not issued any certificate of approval for a public offering in France. In the event that the Shares, thus purchased or subscribed to by such investors listed above, are offered or resold, directly or indirectly, to the public in France, the conditions relating to public offerings set forth in Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the Monetary and Financial Code shall be complied with by such investors.

Notice to prospective investors in Germany

This document, the Shares or the placing of the Shares have not been and will not be registered or cleared by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (the German financial regulator) or any other competent German authority under applicable German law and may therefore not be offered, distributed, sold, transferred or delivered, directly or indirectly, to the public in Germany but only to persons individually known to the offeror and addressed by the offeror on the basis of a selected choice according to individual aspects and if such persons require no information by means of a prospectus as investors usually do. Therefore, the Joint Bookrunners are making this document available to individually selected members of their existing customer base only. This document is only directed to such recipients to whom it is directly addressed and may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of German law or applicable laws of other jurisdictions.

Notice to prospective investors in Israel

The global offering is intended solely for investors listed in the First Supplement of the Israeli Securities Law, 1968, to whom an offer of securities may be made without the publication of a prospectus in accordance with the Israeli Securities Law, 1968. A prospectus has not been prepared or filed, and will not be prepared or filed with the Israeli Securities Authority in connection with this global offering. Subject to any applicable law, the securities offered by this global offering may not be offered or sold in the State of Israel to more than thirty-five offerees, in the aggregate, who are not listed in the First Supplement of the Israeli Securities Law, 1968.

Notice to prospective investors in the Republic of Italy

The offering of the Shares in Italy has not been authorized by the Bank of Italy under Article 42, paragraph 5 of Legislative Decree no. 58/1998 Financial Law Consolidated Act. Nor has this prospectus been approved by or notified to the *Commissione Nazionale per la Società e la Borsa*. The offering of the Shares has not been authorized by Bank of Italy in compliance with Article 129 of the Legislative Decree no. 385/1993 (Consolidated Banking Act) and its implementing regulations, pursuant to which the issue or the offer of securities in the Republic of Italy shall be preceded and followed by an appropriate notice to be filed with the Bank of Italy. Accordingly, the Shares can not be offered, sold or delivered in Italy, nor may any copy of this prospectus or any other document relating to the Shares be distributed in Italy either to retail or to professional investors.

Notice to prospective investors in Japan

The Shares have not been, and will not be, registered under the Securities and Exchange Law of Japan, as amended, (the "SEL"). Accordingly, the Shares may not be offered, sold or delivered, directly or indirectly, in or into Japan or to or for the account or benefit of, or for reoffering or resale to, any Japanese Person (defined below), except under circumstances which will result in the full compliance with the SEL and all other applicable laws and regulations promulgated by the relevant Japanese authorities in effect at

the relevant time. For the purpose of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity established or organized under the laws of Japan.

Notice to prospective investors in Spain

The Shares may not be offered, sold or distributed in the Kingdom of Spain except in accordance with the requirements of Law 24/1988, of July 28, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated, and Royal Decree 1310/2005, of November 4, 2005, partially developing Law 24/1988, of July 28, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se dearrolla parcialmente la Ley 24/1988, de 28 Julio, del Mercado de Valores, en material de admision a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) and the decrees and regulations made thereunder. Neither the Shares nor this prospectus have been verified or registered in the administrative registries of the National Stock Exchange Commission (*Comisión Nacional de Mercado de Valores*).

Notice to prospective investors in Switzerland

The Issuer and the global offering, respectively, are not subject to supervision, and licensing, respectively, by the Swiss Federal Banking Commission. In Switzerland, the global offering is only made on a non-public basis in accordance with the Circular 03/1 of the Swiss Federal Banking Commission on Public Advertisements pursuant to Swiss Investment Fund Laws, of March 28, 2003, as amended.

Notice to prospective investors in the United Kingdom

No Shares are being offered to the public in the United Kingdom using this prospectus. Each Joint Bookrunner has covenanted and agreed that neither it nor any of its affiliates nor any person acting on its or their behalf (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in retention to the Shares in, from or otherwise involving the United Kingdom.

PART I—THE COMPANY'S BUSINESS

INTRODUCTION

The Issuer is a Guernsey investment company that currently invests in selected securitized asset classes and aims to provide stable returns to investors across various interest rate and credit cycles. The Company's investment objective is to generate distributable income and capital appreciation. The Company's investment manager, Polygon Credit Management LP (the "Investment Manager"), currently seeks to accomplish this objective by (i) selecting target asset classes it believes to be attractive based on the nature of their return characteristics, (ii) selecting asset managers it believes to be superior, (iii) leveraging the structuring expertise of its principals and (iv) overlaying portfolio-based and single-name hedges on the portfolio. The Company targets a total annual percentage return (dividends plus NAV appreciation) in the low to mid teens. From inception through February 28, 2007, the Master Fund has funded $835 million of investments (valued at the "carrying cost", which is defined as the original cost, adjusted for differences between cash received and expected cash).

Senior secured bank loans represent the majority of assets underlying the portfolio. The Company believes these are attractive due to their low historical volatility and low correlation to other fixed income and equity markets. The Company currently gains exposure to these assets primarily through investments in the subordinated, residual tranches ("Residual Tranches") of collateralized debt obligation ("CDO") products, which are securitized interests in underlying assets assembled by asset managers and divided into tranches based on their degree of credit risk. By taking substantial positions in the Residual Tranches of these CDOs, the Company is able to negotiate certain enhanced features of the CDOs during the origination process and obtain structural flexibility, as well as the ability to influence amendment to the terms, call option exercise and other decisions with respect to the CDOs. The Company currently invests in a broad range of CDO products, utilizing over 35 asset managers, and its underlying assets are diversified on a geographic and industry-sector basis. In addition, the Investment Manager typically hedges to manage default risk, concentration risk and currency risk. Interest rate and funding risk are primarily hedged through the long-term matched funding embedded in the CDO structure (*i.e.*, the assets acquired bear interest by reference to a floating rate similar to the funding source for those assets). The Investment Manager actively and regularly evaluates available asset classes and looks for additional investment vehicles through which the Company can gain exposure to its target asset classes and through which it believes it can generate attractive returns. Accordingly, the Company expects that the asset classes and investment vehicles in its portfolio will likely expand over time.

Although the underlying assets of CDO issuers are typically originated by a commercial bank, the Company believes it can be more efficient than a commercial bank as a long-term owner of those assets through CDO vehicles. By investing through Residual Tranches of CDO vehicles, the Company effectively achieves long-term funding, through the more senior tranches, with respect to the underlying assets. Such funding is on a floating rate basis that largely matches the underlying loans, in contrast to the funding mismatch typically faced by the banks that originate the loans. Commercial banks are also hampered by significantly higher manpower and infrastructure costs than the Company. In addition, the Company is not burdened with the same level of taxation as a commercial bank and, because the Company does not originate loans or take deposits, it is not subject to the costs and other burdens of the substantial regulations that apply to the commercial banking industry. As a result, although the Company functions like a finance company with respect to its underlying assets, it believes it can offer a more attractive investment opportunity than more traditional owners of the same assets.

The Issuer launched operations on August 1, 2005 as a private open-ended fund. It invests all of its capital through a "master-feeder" structure. In this prospectus, we refer to Tetragon Financial Group Limited as the "Issuer", and we refer to the Issuer, together with the Tetragon Financial Group Master Fund Limited (the "Master Fund") as the "Company". We refer to the Tetragon Financial Group LP, which is also a feeder fund for the Master Fund, as the "U.S. Feeder Fund". As of February 28, 2007 (after giving effect to all subscriptions, redemptions and contingent redemptions that are scheduled to close prior to the completion of the global offering) the Master Fund had $937 million of capital under management (exclusive of the global offering proceeds), of which 78% is represented by capital of the Issuer and 22% is represented by capital of the U.S. Feeder Fund. Performance from inception through February 28, 2007 has been 23.5% net, calculated on an illustrative basis as described under "Part I—The Company's Business—The Issuer's Performance from Inception through February 28, 2007" to reflect the management and incentive fee structure that will be in place following completion of the global offering

(described in "Part II—The Company's Management Fees and Expenses"). The Issuer will be converted into a closed-ended investment company immediately prior to closing of the global offering.

The Investment Manager is affiliated with Polygon Investment Partners LLP (together with its other affiliated management companies, other than the Investment Manager, "Polygon"). Polygon manages the Polygon Global Opportunities Master Fund, a global multi-strategy arbitrage fund that was founded in May 2003, which currently has greater than $6.2 billion of capital under management. Polygon currently has approximately 89 employees in their London, New York and Hong Kong offices. The three co-founders and principals of Polygon, Reade Griffith, Alexander Jackson and Paddy Dear, identified the Investment Manager's strategy as being of particular interest and subsequently teamed up with Jeffrey Herlyn, Michael Rosenberg and David Wishnow to establish the Company and form the Investment Manager.

MANAGEMENT TEAM

As noted above, the principals of the Investment Manager and founders of the Company are Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith, Alexander Jackson and Paddy Dear (together, the "Principals"). Messrs. Herlyn and Rosenberg are responsible for managing the investment portfolio and Mr. Wishnow focuses on financing, liquidity and non-investment activities. In addition, all investment decisions for the Master Fund are made by an investment committee currently composed of these six Principals.

Prior to joining the Investment Manager, Messrs. Herlyn and Rosenberg were co-heads of the global CDO business at UBS and were co-heads of the U.S. CDO business at JP Morgan before that. Mr. Wishnow (together with Messrs. Herlyn and Rosenberg, the "Tetragon Principals") ran the hedge fund client management team in fixed income at UBS and was formerly global head of fixed income collateral financing at UBS. They have been working with CDOs since the inception of the CDO business, with approximately 25 years of experience in this market among them. They have worked with all major CDO asset classes and a significant number of the leading CDO asset managers. They have also been involved in various product innovations, including the development of both cash and synthetic CDOs.

Prior to co-founding Polygon with Messrs. Jackson and Dear, Mr. Griffith founded and served as the chief executive officer of the European office of Citadel Investment Group, a multi-strategy hedge fund that he joined in 1998. As a partner and senior managing director, he was responsible for running the Global Event Driven arbitrage team of 25 people in Tokyo, London and Chicago for the firm. Mr. Jackson was previously the chief executive officer of the European office of Highbridge Capital Management. During his nine years at Highbridge, Mr. Jackson invested and supervised the Asian and European convertible and credit books as well as providing insight and input to the U.S. team. Mr. Dear was previously managing director and the global head of Hedge Fund Coverage for UBS Warburg Equities. As global head of Hedge Fund Coverage and Chairman of the Global Hedge Fund Committee, he was responsible for the delivery of all of the bank's products and services to hedge fund clients globally.

For further information on the Company's management team, see "Part II—The Company's Management".

COMPETITIVE STRENGTHS

The Company believes that it possesses a number of competitive strengths, including the following:

Experienced Investment Manager with a Proven Track Record

- *Experience of the Investment Manager's Team*. As described above, the principals of the Investment Manager are highly experienced in the CDO market, with approximately 25 years of experience in this market among them. They have been working with CDOs since the inception of the CDO business, both as asset managers and traders, having worked with all major CDO asset classes and a significant number of the leading CDO asset managers. They have also been involved in various product innovations, including the development of both cash and synthetic CDOs.
- *Track Record*. From inception through February 28, 2007 the Company has funded 49 investments (including 9 "warehouse trades" as described under "—Investment Strategy—Warehouse Trades"). Performance since inception through February 28, 2007 has been 23.5%

net, calculated on an illustrative basis as described under "Part I—The Company's Business—The Issuer's Performance from Inception through February 28, 2007" to reflect a management fee and an incentive fee structure that will be in place following completion of the global offering.

- *Relationship with Polygon*. Through the Investment Management Agreement, the Company will benefit from Polygon's infrastructure, including a dedicated team of approximately 75 professionals in New York, London and Hong Kong responsible for operational, trading, risk management and other services. The Company also believes that Polygon's experience, reputation and strong market relationships are of significant benefit in the execution of the Investment Manager's investment strategy.
- *Alignment of Interests*. The Tetragon Principals have a significant proportion of their liquid net worth invested in the Master Fund. Furthermore, Polygon Global Opportunities Master Fund had an interest of $124 million in the U.S. Feeder Fund, representing an indirect interest of 13% in the Master Fund as of March 1, 2007.

Distinctive Investment Strategy

- *Strength in CDO Structuring*. The Investment Manager's current investment strategy is to take a proactive role from the beginning of a potential CDO transaction in selecting the underlying asset class, determining the manager and aiming to create an optimal structure for the Company's investment. The Company believes that the Investment Manager's leading position within and knowledge of the CDO market and CDO asset managers enable it to select asset managers it believes to be superior for each specific asset class and to structure its investments in accordance with the desired overall portfolio risk profile. In addition, the Company believes that following the global offering, it will have a secure equity capital base for the Company that will allow the Investment Manager to take advantage of opportunities, especially during times of market duress, when there may be forced sellers or other unusually favorable risk/reward conditions in the market.
- *Substantial Positions in Residual Tranches of CDOs*. The Company takes substantial positions in the Residual Tranches of the CDOs in which it invests. The Company's large positions in these tranches give the Investment Manager influence to negotiate certain enhanced features of the CDOs during the origination process and obtain structural flexibility. Also, the Company's substantial positions in these Residual Tranches allow the Investment Manager to influence amendment to the terms, call option exercise and other decisions with respect to the CDOs. The Company believes the resulting enhanced CDO structures are better able to address changes in the credit environment during the life of the CDO.
- *Hedging and Leverage across the Portfolio*. The Investment Manager regularly analyzes the risk profile of the entire portfolio, taking into account concentration risk, industry risks and individual credit risks across the portfolio, and applies appropriate hedging strategies. The Company also believes that the efficient use of leverage can enhance returns to Shareholders. The application of hedging and leverage to the Company's investments is aimed at tailoring the risk/reward profile of its assets and selecting desired investment exposures.

Attractive Characteristics of Target Asset Classes through CDO Investments

- *Stability of CDO Equity Returns and Low Correlation to Broad Market Indices.* The Company believes that investments in CDOs composed of senior secured loans, collateralized loan obligations ("CLOs"), are attractive because they have produced stable returns through several credit cycles and CDOs, in general, have historically shown low correlation to broad market indices.
- *Growing Opportunities in Target Asset Classes*. The Company generally believes that it has, and will continue to have, opportunities to capture the value created by the transformation of ownership of certain asset classes. Today, CDO vehicles are among the most efficient owners of assets that have traditionally been originated and retained by commercial banking institutions, due to the ability of CDO structures to manage certain risk elements of these assets, such as funding and interest rate risk, and the effect of regulations applicable to banks such as those prescribed by Basel II (an international agreement establishing minimum risk-based capital requirements for banks in ten major industrial countries). The Company believes that the trend

towards holding certain asset classes through CDOs will continue, thereby stimulating growth in the CDO market and creating further investment opportunities for the Company.

Established High-Quality Portfolio with Rapid Investment of Proceeds

- *Substantial Invested Portfolio*. As of February 28, 2007, and after giving effect to all subscriptions, redemptions and contingent redemptions that are scheduled to close prior to the completion of the global offering, the Master Fund had $937 million of capital under management (exclusive of the global offering proceeds). At that date, the Master Fund's investments in its portfolio of CDO investments including warehouse transactions represented 131% of such capital, which reflects in part the use of leverage by the Master Fund.
- *Rapid Deployment of Offering Proceeds*. The Company has arrangements in place with affiliates of the Joint Bookrunners providing for the potential acquisition and holding for the Company by such affiliates of up to $300 million of CDO assets that the Investment Manager has identified for potential investment by the Company. These arrangements have allowed the Investment Manager to be active in seeking commitments for new investments by the Company prior to the closing of the global offering and, whether or not the arrangements are utilized, should enable the Company to deploy the net proceeds of the global offering rapidly following the closing thereof. As at the date of this prospectus, the Investment Manager had not placed any assets under these arrangements.

INVESTMENT STRATEGY

The Company's investment objective is to generate distributable income and capital appreciation. To achieve this investment objective, and to provide stable returns to investors across various interest rate and credit cycles, the Investment Manager seeks to identify asset classes it believes to be attractive and asset managers it believes to be superior based on experience and expertise, and to use the market experience of the Investment Manager to negotiate favorable transaction terms for vehicles in which the Company invests. As part of this current investment strategy, the Investment Manager employs hedging strategies and moderate leverage in seeking to provide attractive returns from the portfolio while managing risk, as described below. The Company's investment objective may only be modified by the Board of Directors, ratified by the Voting Shares. The Company's Investment Management Agreement permits the Master Fund to make any investment, including equity, fixed income and other instruments, that the Investment Manager in its sole discretion deems consistent with the Company's investment objective.

Asset Class Selection

The Investment Manager currently employs a multiple asset class investment strategy as described in "—The Company's Existing Portfolio". The Investment Manager selects the Company's target asset classes following an analysis of key factors affecting returns, including (i) credit spread risk premiums, (ii) economic and credit cycles and (iii) rating agency analyses. Among other things, the Investment Manager seeks exposure to those assets that have the largest portion of their credit spread attributable to risks that it believes can be hedged most effectively, such as default risk, concentration risk and currency risk, particularly through the use of structured finance vehicles such as CDOs.

The asset classes primarily represented in the Company's current portfolio consist of the following types:

- leveraged loans, consisting of:
  - (a) broadly syndicated senior secured loans of U.S. borrowers;
  - (b) broadly syndicated senior secured loans of European borrowers; and
  - (c) middle market senior secured loans of U.S. borrowers;
- CDO squareds, or CDOs consisting of interests in the debt tranches of CDOs composed of underlying assets that the Company currently targets; and
- asset-backed securities ("ABS") and other structured finance assets, primarily CDOs backed by ABS and other structured finance assets. These include commercial and residential mortgage-backed securities and Securitization Vehicles backed by various types of consumer and corporate credit.

The Company believes that these asset classes are generally characterized by low historical default rates and/or high recovery rates in the event of a default.

The Company believes that it, through CDO issuers, is a generally more efficient long-term holder of these assets than the commercial banks that originated the assets. By investing through Residual Tranches of CDO vehicles, the Company achieves long-term funding on a floating rate basis that largely matches the underlying loans, in contrast to the funding mismatch typically faced by the banks that originate the loans. Commercial banks are also hampered by significantly higher manpower and infrastructure costs than the Company. Additionally, the Company is not burdened with the same level of taxation as a commercial bank. Also, because the Company does not originate loans or take deposits, it is not subject to the costs and other burdens of the substantial regulations that apply to the commercial banking industry. As a result, although the Company functions like a finance company with respect to its underlying assets, it believes it can offer a more attractive investment opportunity than more traditional owners of the same assets.

The Investment Manager is not limited in its ability to invest in assets outside the above-mentioned asset classes. As a result, the degree of the Company's investment exposure to different asset classes can be expected to vary over time, reflecting changes in the relative attractiveness of such asset classes or their availability.

Investment Vehicle Selection; Structural Enhancement

The Investment Manager's current approach to investment in underlying assets is through CDO vehicles and other arrangements that provide leveraged exposure to portfolios of underlying assets and also allow for long-term, non-recourse, matched funding of the underlying assets acquired. The Investment Manager believes that this is the kind of risk/reward profile typically associated with the Residual Tranches of a CDO, but the Company's investments may take different structures and forms, including debt, equity, hybrid securities, derivatives and other product forms. Investment exposure to underlying assets may be effected through direct cash investment or through synthetic arrangements (such as total return swaps, credit default swaps and other synthetic instruments).

The current portfolio primarily consists of substantial positions in the Residual Tranches of a broad range of CDO products. Residual Tranches will in most cases be unrated and often represent the residual income typically retained by the originator of a CDO transaction as the "equity" or "first loss" position of a CDO.

Typically, the Investment Manager initiates discussions with a CDO asset manager at an early stage of a CDO transaction and takes a proactive approach in recommending transaction terms or enhancements designed to provide structural flexibility for the holder of the Residual Tranches and to optimize the return of these tranches. By taking substantial positions in the Residual Tranches, the Company may influence various features within a CDO that allow it to modify CDO structures in response to changing market conditions and to effect decisions and changes to maximize the value of its investment. See "—The Investment Manager's Investment Process".

The Company believes it provides significant value to the CDO transactions in which it participates through the use of the Investment Manager's structuring expertise and the Company's size and position in the marketplace. In reviewing proposed structures the Investment Manager seeks to achieve:

- *Superior economics*, so that the structure maximizes the excess spread available to the Residual Tranche while achieving ratings stability (in particular, by targeting a high credit rating for the senior tranches relative to their interest payments). In addition, based on the size of a potential investment and the role of the Company in the CDO, the Investment Manager seeks to minimize the overall transaction fees paid in connection with the CDO issuance, thus improving the returns on the Company's investments;
- *Credit cycle durability*, through structural enhancements providing flexibility to withstand market dislocations and perform according to expectations across credit cycles as well as in changing market conditions;
- *Tailored structure to minimize risk*, so that the structures address the particular attributes of the underlying assets and allow the Company the flexibility to respond to certain risks associated with a particular asset class, as well as each individual asset manager's investment style; and
- *Flexibility to adapt to change*, including provisions that allow the Investment Manager to respond to short- and long-term market changes that may affect the performance of the underlying assets.

Asset Manager Selection

In selecting asset managers, the Investment Manager seeks to take advantage of the significant experience of the Tetragon Principals in the CDO market. The Investment Manager selects asset managers that it believes to be superior based on its assessment of reputation, asset class and investment track record, investment philosophy, resource commitment and personnel and infrastructure. Among other things, the Investment Manager looks to select asset managers with a demonstrated strength in credit analysis and the management of credits on a long-term basis consistent with its buy and hold strategy. See "The Investment Manager's Investment Process" below.

Asset Diversification

The Investment Manager's current investment strategy is to diversify its exposures across underlying asset classes, industry sectors, geographies and asset managers. For risk management purposes, the Investment Manager analyzes risks and engages in hedging strategies on both a portfolio-wide basis as well as a single-name basis.

At any given time, certain geographic areas, asset types or industry sectors may provide more attractive investment opportunities than others and, as a result, the Company's investment portfolio may be concentrated in particular geographic areas, asset types or industry sectors. Also, due to the overlap of investments of different asset managers, there may be concentrations of individual credits from time to time. Although the Company is not subject to specific restrictions regarding the concentration of its investment portfolio, the Investment Manager regularly monitors concentration in the portfolio, together with any relevant risks associated with the geographic areas, asset types, industry sectors and individual credits represented by the underlying assets in the portfolio, and takes steps to adjust the balance of the investment portfolio or engage in hedging when it deems it appropriate to do so. Although the Company's investments may be denominated in any currency, the Company seeks to maximize total returns on a U.S. Dollar basis and generally hedges non-dollar currency exposures back to U.S. Dollars.

See "—The Investment Manager's Investment Process—Risk Management".

Leverage

Residual Tranches of CDO products have internal embedded leverage by virtue of the senior debt tranches that are issued against the CDO portfolio. The Investment Manager's current investment strategy also involves, to a lesser extent, direct leverage in the form of borrowings and other financing arrangements. The Company is not subject to specific leverage restrictions or requirements, and the Investment Manager may increase or decrease the Company's exposure to leveraged investment over time. The Company intends to employ additional direct leverage opportunistically to tailor a more attractive risk/return profile on its investments. See "—Financing Strategy".

Buy-and-Hold Strategy

The emphasis of the Investment Manager's existing strategy for the Company is on the rigorous selection and structuring of investment positions that are then intended to be held for returns based on cash flows to provide a stable stream of income. The Investment Manager believes a buy-and-hold strategy allows the Company to take a long-term view on the expected cash flows from a CDO or other investment vehicle, irrespective of whether, during the life of the investment, there is market volatility that might affect the trading value of the investment on a particular date. However, the Investment Manager also may dispose of portfolio positions from time to time and may reallocate investments in the portfolio within and among asset classes on a discretionary basis. The Company believes the Investment Manager's strategy of taking substantial positions makes a buy and hold strategy more attractive, as the Investment Manager may in certain cases amend the CDO structure to adapt to changing market conditions or even call the CDO, with the goal of maximizing the returns on its investment.

Warehouse Trades

The Company from time to time enters into pre-closing transactions known as warehouse trades with respect to potential CDOs in which it is planning to invest. In such a transaction, the Company typically agrees to fund a portion of a warehouse loan facility used by an asset originator or manager to assemble assets in anticipation of a CDO transaction. The Company assumes a portion of the risk relating to the warehoused portfolio of underlying assets (often through taking a subordinated, residual position), *i.e.*, the

Company shares in any upside or downside in the warehoused portfolio in the event that the potential CDO transaction does not close and the warehoused assets are liquidated. These are short-dated transactions, typically lasting for the two-to-three-month ramp-up period prior to the closing of the CDO transaction, and provide the Company with a potentially attractive opportunity to gain early exposure to the underlying assets that will constitute a CDO in which it has an investment commitment prior to the closing of that CDO.

Hedging

The Investment Manager employs hedging strategies to manage certain risks. As CDOs employ long-term matched funding financing and therefore are structured to hedge interest rate and funding risk, the Investment Manager's hedging strategies focus on other risk elements of the underlying assets such as default risk, concentration risk and currency risk. The Investment Manager employs both portfolio-based and single-name hedging strategies. There are no limits on the amounts that may be paid by the Company by way of premium or margin in connection with such transactions.

See "—The Investment Manager's Investment Process—Risk Management".

THE INVESTMENT MANAGER'S INVESTMENT PROCESS

Currently, Jeffrey Herlyn and Michael Rosenberg are responsible for day-to-day portfolio management. David Wishnow is responsible for financing, liquidity and non-investment activities. The investment committee of the Investment Manager (the "Investment Committee"), which consists of Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith, Alexander Jackson and Paddy Dear, is responsible for the investment management of the portfolio and the business. The Investment Committee sets forth the investment strategy and approves each significant investment by the Master Fund. The following describes the Investment Manager's current investment process, which can be adapted as appropriate on a case-by-case basis.

Asset Class Selection

The Investment Manager currently sources investment opportunities through a variety of channels, including the Investment Manager's network of direct relationships with major commercial and investment banks and asset managers.

The current strategy of the Investment Manager is to develop tailored structures for a particular asset class that allow the Company the flexibility to respond to certain risks associated with such asset class, matched with the appropriate asset manager and structure. The Investment Manager generally initiates discussions directly with the asset managers of Securitization Vehicles regarding potential transactions. Alternatively, the Investment Manager may work with various investment banks regarding potential structures and asset managers. In most cases, an investment bank would be involved to execute the CDO transaction and to raise debt financing and any residual equity financing. As discussed previously, in each case the Investment Manager takes a proactive approach in recommending structural requirements or enhancements. The Company believes this approach allows it to better achieve its investment objective than investing only in deals offered broadly to the market.

In addition, the Investment Manager typically runs a Monte Carlo simulation in connection with asset class and investment selection. Monte Carlo analysis is a simulation analysis where "random" numbers (in the case of the Investment Manager's simulation, numbers randomly sampled from historical data obtained from Moody's Investors Service) are substituted for uncertain variables in a large number of simulations, allowing the user to determine the probability of different possible outcomes. This allows the Investment Manager to determine a statistically based projected investment performance through a 10,000-path simulation capturing different historical market environments.

Sensitivity Analysis and Pricing

A significant part of the process of investing in Residual Tranches is based on a detailed sensitivity analysis of expected cash flows that is carried out before investments are made. The Investment Manager conducts financial modeling prior to making an investment having regard to the fact each of its investments is generally held until maturity or redemption and not for trading purposes.

In order to price a potential new investment, the Investment Manager undertakes sensitivity analyses and builds a financial model that simulates the performance of the underlying pool of financial assets and that replicates the liability structure of the related securitization transaction, including the particular Residual Tranche in which the Master Fund is contemplating investing.

The sensitivity analysis typically includes:

- An evaluation of structural security, including security over core assets, bankruptcy-remoteness, auxiliary facilities, credit enhancement, subordination levels, credit environment, creditors' rights in the relevant jurisdiction and enforcement/recovery procedures;
- Analysis of collateral by means of pool stratifications, concentrations, product features, pricing and available history;
- An evaluation of originator financial strength, experience, processes and resources; and
- Stress testing including, without limitation, scenario analysis under various assumptions of default and recovery rates, time-lag to recovery, prepayment and interest rate movements.

In addition, the Investment Manager typically uses a Monte Carlo simulation to test the distribution of probable outcomes and their likelihood for the potential new investment.

The Investment Manager uses financial modeling to enable it to establish the minimum target internal rate of return that it considers sufficient to address the inherent risk of an investment. The financial model allows the Investment Manager to input stress factors that it considers appropriate to the potential transaction, such as delinquencies, defaults, recoveries, prepayments and interest rates. The Investment Manager analyzes historical data to determine the average level of these stress factors and the volatility of these stress factors over time. From this information, the Investment Manager derives a set of stress assumptions to use as its "pricing case". These assumptions are typically derived by reference to the historical delinquencies, defaults, recoveries and prepayments actually realized by the originator and any empirical data available to the Investment Manager in respect of any of these factors for the particular asset class.

The Investment Manager believes that its pricing case stress assumptions are often more conservative than the assumptions that would be derived from extrapolation of the historical experience of an originator, in that they may reflect higher default rates, lower recoveries, varying prepayments and lower reinvestment spreads than previously experienced by an originator.

The set of stress assumptions that the Investment Manager uses as its pricing case enables it to estimate a loss-adjusted expected return. The Investment Manager runs the financial model with these pricing case stress assumptions to produce the loss-adjusted cash flows in respect of the pricing case. The Investment Manager then evaluates the sensitivity of these cash flows to negative and positive changes in the various stress factor inputs and forms a view as to the likelihood that the assets will perform differently in the future from the way in which they have performed in the past. Typically, the price that the Master Fund is prepared to pay for an investment is that which, in the Investment Manager's opinion, results in the Investment Manager's target internal rate of return under its pricing case stress assumptions being met or exceeded. The price actually paid by the Master Fund for the expected cash flows is used to determine the expected yield on the investment, offering potential for improved performance if the pricing case stress assumptions are proved to have been too conservative.

Investment and Manager Selection

No significant new investments are made by the Master Fund unless approved by the Investment Committee of the Investment Manager. Given the long lead time that is generally necessary in order to launch a CDO transaction, the Investment Committee typically has the opportunity to carefully review each proposed CDO investment. Prior to making any CDO investment, the Investment Manager conducts a pre-screening of the potential investment against its asset allocation strategy to assess the investment's risk/return profile against other existing portfolio investments and a preliminary evaluation of the macro-economic environment, the asset class and the relevant asset manager. In conducting its preliminary assessment of the asset manager, the Investment Manager reviews the asset manager's credit research capabilities, financial strength, asset manager ratings, solvency, information systems, servicing procedures, strategy and core competencies, strengths, weaknesses, opportunities and threats analysis, the availability of backup asset managers, and, generally, its ability to administer the underlying asset portfolio.

Risk Management

The Risk Committee of the Investment Manager, which consists of Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith, Alexander Jackson and Paddy Dear, is responsible for the risk management of the portfolio and the business. The Risk Committee performs active and regular oversight and risk monitoring, and meets no less than once a month. Jeffrey Herlyn and Michael Rosenberg manage the day-to-day risk of the individual positions and investment portfolio.

The principal risks to which the Company is exposed are default risk, concentration risk, recovery risk, reinvestment risk and currency risk. Securitization vehicles are primarily match-funded cash flow vehicles and thus are designed to hedge various risks such as interest rate, funding and asset price volatility. The Investment Manager engages in active and regular monitoring of the investments in the CDO portfolio, the asset managers and internal and external changes that may require macro or micro hedging. The Investment Manager's hedging activities primarily focus on default risk, concentration risk and currency risk. The Investment Manager also evaluates on a case-by-case basis instruments to mitigate recovery risk, and addresses reinvestment risk by managing the Company's pipeline of investments in CDO products.

The Investment Manager's risk monitoring procedures include the following:

- *Underlying Asset Review.* The Investment Manager regularly reviews the underlying assets in the portfolio. It reviews not only industry trend information, but also industry and asset manager watch lists, and considers asset managers' underwriting standards. Individual credits that represent significant concentrations or that appear on multiple watch lists warrant further credit analysis and Risk Committee review for potential hedging opportunities. The Investment Manager regularly updates its Monte Carlo analysis and stress tests the portfolio based on those updates.
- *Asset Managers.* The Investment Manager engages in regular discussions with its asset managers regarding the performance of the assets under their management, including trading activities, ratings changes, cash positions and changes in the investment philosophy and key personnel of each asset manager. Formal portfolio reviews are scheduled each month with asset managers. The Investment Manager also regularly reviews the asset managers' performance and capabilities by reference, among other things, to their ongoing credit research capabilities, financial strength, CDO manager ratings, solvency, information systems, servicing procedures, strategy and core competencies.
- *Macro Hedging.* The Investment Manager reviews changes in the credit cycles of the industry sectors represented in the portfolio, as well as default risk (particularly "tail risk", *i.e.*, the risk of unexpected defaults in the underlying assets) and currency risk. The Investment Manager currently uses foreign exchange derivatives and credit default index derivatives, and similar derivatives, to hedge certain portfolio-wide risks.
- *Micro Hedging.* The Investment Manager reviews the level of individual credit concentrations across the portfolio, individual credits appearing on multiple industry or asset manager watch lists and the correlation of certain credits and industry sectors to broader market factors. At present, the Investment Manager uses credit default swaps and other derivatives to hedge these single-name risks.

Every significant investment must be approved by the Investment Manager's Investment Committee and is subject to review by the Risk Committee. Accordingly, before the Company may invest in another collective investment scheme in excess of the 20% or 40% thresholds of Annex XV of the Prospectus Directive, the review and approval of those Committees would be required.

THE COMPANY'S EXISTING PORTFOLIO

Current Target Asset Classes

The Company's current target asset classes are discussed briefly in the following paragraphs. Further information is provided in "—Current Investments". In some instances investments can be categorized in more than one current target asset class, as there is some overlap in the definitions of the target asset classes. As described under "—Investment Strategy", the Investment Manager actively and regularly reviews the available target asset classes and, accordingly, the Company expects that they will change over time.

Leveraged Loans

The Company currently has CDO investment exposure to three classes of underlying leveraged loan obligations: (i) broadly syndicated senior secured loans of U.S. borrowers, (ii) broadly syndicated senior secured loans of European borrowers and (iii) middle market senior secured loans of U.S. borrowers. The loans that are the subject of these asset classes are, as a general rule, originated and funded by third party lenders, often commercial banks, and are normally secured by collateral of the borrower and its subsidiaries. These loans generally arise from leveraged buyouts and merger activity and are typically rated below investment grade. The Company does not originate leveraged loans itself or take a controlling participation in a loan syndicate. The Company generally takes exposure to these asset classes by investing in the Residual Tranches of CDOs. The Company also invests on a selective basis in warehouse loans used by asset originators and managers to assemble assets (*i.e.*, syndicated loans) in anticipation of their transfer to a CDO vehicle in which the Company plans to invest.

CDO Squared

The Company takes exposure to CDOs as underlying assets by investing in CDO squareds. A CDO squared is a type of CDO where the underlying assets consists primarily of the debt tranches of other CDOs. The Company typically takes a residual position in CDO squareds where the underlying CDOs invest in the Company's target asset classes, such as the classes of leveraged loans described above.

Asset-backed Securities and Structured Finance

The Company has investment exposure to ABS and other structured finance assets, primarily through investments in structured finance CDOs. These CDOs are typically backed by real estate-based ABS in the form of commercial mortgage-backed securities or residential mortgage-backed securities and occasionally include other forms of consumer and corporate credit. The ABS that are the underlying assets of these CDOs are created when originators sell a pool of amortizing financial assets to a special purpose vehicle (an "SPV") created specifically for the purpose of buying those assets and issuing ABS backed by those assets. The Company does not currently originate ABS itself. The Company's focus in this area is the Residual Tranches of these structures.

Current Investments

The Issuer currently holds all its investment through the Master Fund. As of February 28, 2007 (after giving effect to all subscriptions, redemptions and contingent redemptions that are scheduled to close prior to the completion of the global offering), the Master Fund had $937 million of capital under management (exclusive of the global offering proceeds). As of that date, approximately 86% of the Company's underlying assets involved borrowers or issuers located in the United States and approximately 14% involved borrowers or issuers located in Europe. The Company's portfolio of securitization assets was composed of the following, by asset class:

- Leveraged loans 95.4%, consisting of:
  - (a) Broadly syndicated senior secured loans (U.S.): 64.9%
  - (b) Broadly syndicated senior secured loans (Europe): 14.2%
  - (c) Middle market senior secured loans (U.S.): 16.3%
- CDO Squareds: 3.3%
- ABS and other structured finance: 1.4%

All CDOs in the Company's current portfolio are cash CDOs.

As at February 28, 2007, the 10 largest investment positions held by the Master Fund were as follows:

Issuer Name	Asset Manager	Underlying Assets	Launch Date	Total Deal Size in Deal Currency (mm's)	Total Equity Size in Deal Currency (mm's)	Master Fund % of Equity	Master Fund Equity Size in Deal Currency (mm's)	Cost in Dollars (mm's)	Percentage of Total Investments
1 HillMark Funding	HillMark Capital Management LP	Broadly syndicated US loans, consisting of 96% 1st lien loans and 4% 2nd lien loans	November 16, 2006	$500.00	$39.30	78%	$30.80	$28.30	3.5%

Issuer Name	Asset Manager	Underlying Assets	Launch Date	Total Deal Size in Deal Currency (mm's)	Total Equity Size in Deal Currency (mm's)	Master Fund % of Equity	Master Fund Equity Size in Deal Currency (mm's)	Cost in Dollars (mm's)	Percentage of Total Investments
2 Sierra CLO II	Churchill Pacific Asset Management LLC	Broadly syndicated US loans, consisting of 85% 1st lien loans, 8% 2nd lien loans, and 7% bonds	November 21, 2006	$430.25	$31.50	95%	$29.90	$26.93	3.4%
3 GSC European CDO III	GSC Partners	Broadly syndicated European loans, consisting of 88% 1st lien loans and 12% mezzanine loans	May 17, 2006	€420.00	€42.00	53%	€22.10	$26.63	3.3%
4 CIFC Funding 2006-1B	Commercial Industrial Finance Corp.	Mix of broadly syndicated US loans (55%) and middle market US loans (45%) consisting of 96% 1st lien loans and 4% 2nd lien loans	October 11, 2006	$407.90	$33.90	83%	$28.00	$26.60	3.2%
5 Bluemountain CLO III	Blue Mountain Capital Management LP	Broadly syndicated US loans consisting of 95% 1st lien loans and 6% 2nd lien loans	February 28, 2007	$450.00	$ 34.9	80%	$27.90	$26.00	3.2%
6 Westbrook CLO	Shenkman Capital Management LP	Broadly syndicated US loans, consisting of 90% 1st lien loans, 3% 2nd lien loans, and 7% bonds	December 14, 2006	$400.00	$30.00	92%	$27.60	$24.65	3.1%
7 Aquilae CLO II	Henderson Global Investors Ltd.	Broadly syndicated European loans, consisting of 98% 1st lien loans, 1% 2nd lien loans and 1% mezzanine loans	November 17, 2006	€300.00	€24.00	83%	€20.00	$24.02	3.0%
8 Katonah IX CLO	Katonah Debt Advisors LLC	Broadly syndicated US loans, consisting of 94% 1st lien loans and 6% 2nd lien loans	November 2, 2006	$435.16	$29.20	90%	$26.20	$23.03	3.0%
9 Gale Force 2 CLO	GSO Capital Partners LP	Mix of broadly syndicated US loans (50%) and middle market US loans (50%) consisting of 92% 1st lien loans, 6% 2nd lien loans and 2% bonds	June 22, 2006	$513.25	$48.50	53%	$25.50	$23.55	2.9%
10 Hewett's Island CLO V	Cypress Tree Investment Management Co.	Broadly syndicated US loans, consisting of 96% 1st lien loans and 4% 2nd lien loans	December 6, 2006	$412.50	$33.00	77%	$25.50	$22.95	2.9%

No asset manager accounted for more than 6.6% of the Master Fund's total investments as at February 28, 2007.

As at February 28, 2007, the 10 largest industry exposures (as a percentage of total loan exposures) of the Company were:

Industry	Percentage
Healthcare	8.6%
Buildings & Real Estate	8.0%
Broadcasting & Entertainment	7.6%
Diversified/Conglomerate Service	5.4%
Chemicals, Plastics & Rubber	5.3%
Telecommunications	5.2%
Electronics	4.6%
Containers, Packaging & Glass	4.4%
Printing & Publishing	4.3%
Automobile	4.2%

No industry accounted for more than 8.6% of the Master Fund's total loan exposures as at February 28, 2007.

As at February 28, 2007, the 10 largest underlying credit exposures (as a percentage of total loan exposures) were:

Underlying Credit	Percentage[1]
Georgia Pacific	1.2%
HCA	0.9%
CSC (Cablevision)	0.8%
Idearc	0.7%
VNU	0.7%
Ineos	0.7%
NRG Energy	0.6%
Hanes Brands	0.6%
Hexion	0.6%
Freescale Semiconductor	0.6%

(1) Calculated on a net basis after giving effect to hedges.

Investment Pipeline

The Investment Manager actively assesses potential investment opportunities for the Company on an ongoing basis. As of the date of this prospectus, the Investment Manager's Investment Committee has identified and approved approximately $500 million of potential additional CDO investments, the substantial majority of which are currently expected to close in the next 3-4 months. However, there is no assurance as to the level of additional CDO investments that the Company will make over this period or that any particular identified CDO asset will be available to or be purchased by the Company.

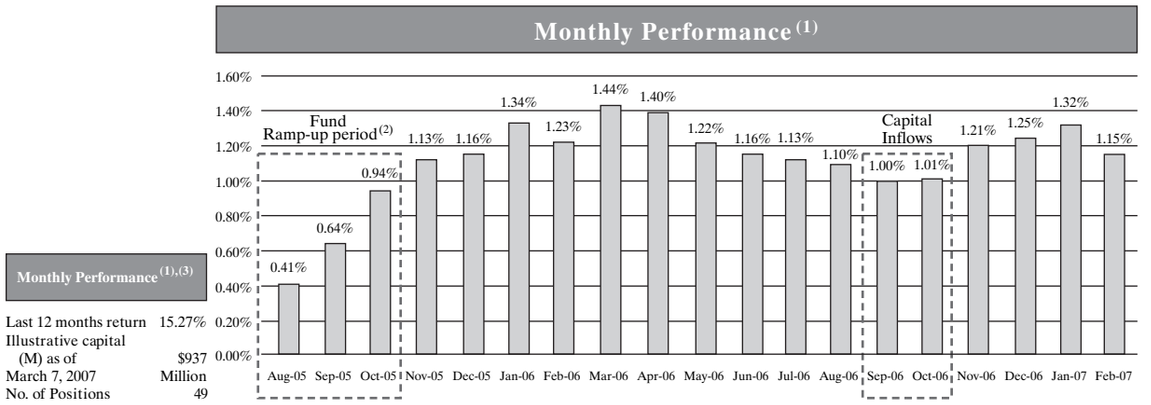
The Issuer's Performance from Inception through February 28, 2007

As at February 28, 2007, the date of the most recent net asset valuation of the Issuer, the unaudited illustrative NAV per share (adjusted as described below to apply the post-global offering management fees and incentive fees to all Shares) would have been $123.82. We estimate that NAV per share on the Closing Date will be approximately $122.82 with respect to class A shares, $128.96 with respect to class B shares and $126.33 with respect to class C shares, based upon historical NAV, historical run rate information, projected closings of committed financings, redemptions scheduled to occur and payment of accrued incentive fees. In the event that any of these factors is not reflective of actual performance during such period, actual NAV as of the Closing Date may be less than the estimated NAV as of such date.

The Issuer launched operations on August 1, 2005 as a private open-ended fund. Its class A shares have been in issue since August 2005 and the class C shares, which provide a revised management and incentive fee structure, have been in issue since July 2006. The class A shares and class C shares are described in detail in "Part XII—Additional Information—The Issuer—Historical Capital Structure of the Issuer". Since August 2005, the Issuer has provided shareholders with monthly unaudited results calculated in reference to the NAV of the various share classes of the Issuer.

In order to provide a track record of the Issuer's performance that is comparable to the management and incentive fee structure of the Shares being offered in the global offering, the historical performance shown below for the class A shares since August 2005 has been adjusted to reflect the management and incentive fee structure of the Shares, except that the performance information below (i) has been calculated with a hurdle rate fixed at 8% per annum, which will be the hurdle rate applicable for the Shares in the 12 month period following the Closing Date but which will be adjusted following such 12 month period and at each quarter thereafter to be (A) the three-month U.S. Dollar LIBOR rate as of such reset date plus (B) a fixed percentage to be determined on the Pricing Date as the difference between 8% and the average three-month U.S. Dollar LIBOR at 11:00 a.m. London time on the 20 London business days preceding the Pricing Date, and (ii) has not been adjusted to reflect the quarterly high-water mark that will be part of the management and incentive fee structure of the Shares. The Company believes that the adjusted historical performance of the class A shares presented below provides a comparable basis to the Shares for consideration by potential investors.

Illustrative Fund Performance Since Inception



Notes:

(1) All return figures are net of (a) management fees of 1.5% of the NAV per annum, (b) incentive fees of 25% of the increase in the NAV over a hurdle rate of 8% per annum and (c) expenses and reflect an investment in the Issuer since inception without additions, withdrawals or redemptions. All return figures are the values as calculated by the Administrator and are unaudited. Past performance is not necessarily indicative of future results. In addition, the allocation of assets and composition of the portfolio shown above is subject to change and is not necessarily indicative of the future.

(2) During the ramp-up period, performance is negatively impacted by high cash balances.

(3) As of February 28, 2007, except where indicated.

VALUATION

The Administrator values the investments of the Master Fund on an ongoing basis. The NAV per Share is expected to fluctuate over time with the performance of the Issuer's investments. The NAV of the Issuer and the Master Fund and the NAV per Share are determined as at the close of business on the last Business Day of each fiscal quarter (each, a "Valuation Day") for purposes of calculating incentive fees.

As the Issuer makes all of its investments through the Master Fund, the Issuer's NAV will equal its proportionate share of the NAV of the Master Fund. The following valuation principles relate to both the Issuer and the Master Fund:

- The values of Residual Tranches in Securitization Vehicles are determined by reference to a third-party valuation model that is used by both the Investment Manager and the Administrator. The model contains characteristics of the Securitization Vehicle structure, including current assets and liabilities and inception to date performance, based upon information derived by a specialist firm from the trustee reports. Key model inputs include asset spreads, expected defaults and expected recovery rates for the relevant category of underlying collateral held in the Securitization Vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator. The model is used to project performance, or expected internal rate of return ("IRR"), for each investment. The NAV of the Residual Tranche is then marked to model (*i.e.*, the expected IRR represents the effective accretion rate to NAV). As income is received from the Securitization Vehicle, only the value up to the expected IRR is recognized as income and the remainder is treated as repayment of principal. If income received is less than expected IRR in a period, the shortfall is added to principal.
- Other non-equity investments (*i.e.*, Rated Tranches (as defined below)) in Securitization Vehicles are valued on the basis of the latest available valuation provided by an independent valuation agent.
- Any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon is valued at its last traded price on the relevant Valuation Day or, if no trades occurred on such day, at the closing bid price if held long by the Master Fund and at the closing offer price if sold short by the Master Fund, as at the relevant Valuation Day, and as adjusted in such manner as the Board of Directors, in its sole discretion, thinks fit, having regard

to the fair value of the security, and where prices are available on more than one exchange or system for a particular security the price is the last traded price or closing bid or offer price, as the case may be, on the exchange which constitutes the main market for such security or the one which the Board of Directors in its sole discretion determines provides the fairest criteria in ascribing a value to such security.

- Any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, is valued by the Board of Directors in good faith having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the Board of Directors in its sole discretion deems relevant in considering a positive or negative adjustment to the valuation.
- Investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution are valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price at the close of business on any market on which such investments are or can be dealt in or traded, *provided* that where such investments are dealt in or traded on more than one market, the Board of Directors may determine at its discretion which market shall prevail.
- Investments, other than securities, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution are valued on the basis of the latest available valuation provided by the relevant counterparty.
- Deposits are valued at their cost plus accrued interest.
- Any value (whether an investment or cash) denominated other than in U.S. Dollars is converted into U.S. Dollars at the rate (whether official or otherwise) which the Board of Directors in its absolute discretion, deems applicable as at the close of business on the relevant Valuation Day, having regard, among other things, to any premium or discount which they consider may be relevant and to costs of exchange.

The Board of Directors or the Administrator, as the Instrument Manager's appointed designee, 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 good accounting practice. To the extent feasible, expenses, fees and liabilities are accrued in accordance with U.S. GAAP. Reserves (whether or not in accordance with U.S. GAAP) may be taken for estimated or accrued expenses, liabilities or contingencies. Where there is any conflict between U.S. GAAP and the valuation principles set out in the Company's Articles of Association and this prospectus in relation to the calculation of NAV, the latter principles shall take precedence. However, U.S. GAAP will take precedence for the purposes of financial reporting. NAV per Share will be made available to Shareholders on a monthly basis through the Company's website.

FINANCING STRATEGY

In addition to utilizing embedded leverage, the Master Fund currently employs, to a lesser extent, direct leverage through borrowings and other financing arrangements in order to achieve its return objectives, and may borrow for any purpose, including to increase investment capacity, pay operating expenses, make redemption or distribution payments or for clearance of transactions. The Master Fund currently finances its positions through its prime brokerage relationship and by means of other financing arrangements. The Master Fund maintains access to a broad array of capital resources in an effort to insulate its business from potential fluctuations in the availability of capital, and the Master Fund may borrow funds or engage in other debt financings with other brokerage firms, banks and other institutions or in other markets in order to increase the amount of capital available for investment. In addition, the Master Fund may in effect borrow funds through entering into repurchase agreements, and may "leverage" its investment return (*i.e.*, use financial instruments in order to gain greater exposure to an investment, thereby increasing the potential rate of return) with options, commodity futures contracts, swaps, forward contracts and other derivative instruments. The Master Fund does not have a predetermined target debt to equity ratio as the Investment Manager believes that the appropriate leverage for the particular assets that the Master Fund is financing depends on the nature and credit quality of those assets. As at December 31, 2006 the Master Fund had $267 million outstanding indebtedness (consisting of liabilities under repurchase and swap

agreements) and its debt to equity ratio (calculated by dividing liabilities under repurchase and swap agreements by net assets) was 0.44 to 1 or 30% of gross assets (on an unaudited basis).

The Investment Manager determines whether, and to what extent, to leverage the Company's investments based on the leverage inherent in the cash flows underlying each investment, the cash flow profile of each investment, the diversification of the overall investment portfolio, the availability of financing on attractive terms and other factors which the Investment Manager may consider appropriate.

DIVIDEND POLICY AND SHARE REPURCHASES

Subject to having sufficient profits available, the Issuer is currently targeting a dividend payout in the range of 30% to 50% per annum of net increase in net assets resulting from operations in quarterly installments commencing with the quarter ending June 30, 2007. These are targeted dividend levels and are not forecasts or binding commitments. There can be no assurance that they will be realized, and the Issuer's ability to pay dividends will depend on its receiving distributions from the Master Fund. The Issuer is not obligated to pay dividends at this level or at all and the Board of Directors and the Investment Manager will consider all relevant factors in determining the actual level of any dividend payment at the time it is declared. The Board of Directors will have the authority to declare dividend payments, based upon the recommendation of the Investment Manager, and subject to the approval of the Voting Shares. The Issuer may also pay scrip dividends. If the Directors (in their capacity as Directors of the Issuer) declare a cash dividend payable by the Issuer, they will also (in their capacity as directors of the Master Fund) declare an equal dividend per share payable concurrently by the Master Fund to the Issuer. See "Part XII—Additional Information—Summary of the Issuer's Memorandum and Articles of Association—Dividends". The Issuer may also engage in Share repurchases in the market from time to time. Such purchases may provide support to the trading price of the Shares, including in the event that Share trading prices are below the current NAV. Such purchases would also generally add to the liquidity of the trading market for the Shares. Any decision to engage in market purchases will be made by the Board of Directors upon consideration of the recommendation of the Investment Manager, as well as all other relevant factors, and will be subject to, among other things, the availability of distributable profits at time. Accordingly, there can be no assurance as to whether the Issuer will engage in any such repurchases or if it does, the timing or amount thereof.

REPORTING

In accordance with applicable regulations under Dutch law, the Issuer will publish monthly statements for the benefit of its investors containing the following information:

- the total value of the investments of the Master Fund;
- a general statement of the composition of the investments of the Master Fund; and
- the number of outstanding Shares of the Issuer.

In addition, in accordance with the requirements of Eurolist by Euronext Amsterdam and AFM regulations, the Issuer is required to provide annual and semi-annual reports to its Shareholders, including year-end financial statements, which in the case of the financial statements provided in its annual reports, will be reported in accordance with U.S. GAAP and audited in accordance with international auditing standards. Financial statements included in the annual reports will be as of and for the year ended the Issuer's accounting date. In accordance with applicable Dutch law, such annual reports will be made available within four months of the Issuer's fiscal year end. The NAV of the Issuer will be made available to investors on a monthly basis on the Company's website at http://www.tetragoninv.com.

THE ISSUER, THE MASTER FUND AND THE U.S. FEEDER FUND

The Issuer

After the closing of the global offering, the Issuer will be a Guernsey-incorporated closed-ended investment company. Currently, the Issuer is an open-ended fund with three classes of shares, one of which is listed on the Irish Stock Exchange. The shares listed on the Irish Stock Exchange are currently subject to contractual transfer restrictions and have never traded on such exchange. Therefore, no public market currently exists for these shares, despite their listing on an exchange. On the Closing Date, the Issuer's three classes of participating shares will be converted into Shares. The Issuer will suspend trading (of

which there is and historically has been none) of such shares on the Irish Stock Exchange on the Pricing Date and will delist its listed shares from the Irish Stock Exchange on the Closing Date. The Issuer makes all of its investments through the Master Fund. See "Part XII—Additional Information—The Issuer—Modification of Existing Shares and Exchange Provisions Relating to the U.S. Feeder Fund Interests" for a description of the conversion of all existing participating shares of the Issuer (the "Existing Shares") of the Issuer into Shares.

The Master Fund

The Master Fund is a Guernsey-incorporated investment company. All shares of the Master Fund are owned by the Issuer or the U.S. Feeder Fund. Investors are not permitted to buy shares directly in the Master Fund. The Master Fund will be converted into a closed-ended investment company immediately prior to closing of the global offering.

The U.S. Feeder Fund

After the closing of the global offering, the U.S. Feeder Fund will be a closed-ended Delaware limited partnership. The U.S. Feeder Fund was formed as a parallel feeder fund to the Issuer, principally for the benefit of U.S. taxable investors. The U.S. Feeder Fund makes all of its investments through the Master Fund. The U.S. Feeder Fund will remain private, and its partnership interests will not trade publicly. However, holders in the U.S. Feeder Fund will have the right at any time following the closing of the global offering to exchange their partnership interests for Shares or cash (at the Issuer's option). See "Part XII—Additional Information—The Issuer—Modification of Existing Shares and Exchange Provisions Relating to U.S. Feeder Fund Interests".

PART II—THE COMPANY'S MANAGEMENT

BOARD OF DIRECTORS

Each of the Issuer's board of directors (the "Board of Directors") and the Master Fund's board of directors is currently composed of the same seven Directors. Each of the Issuer's and the Master Fund's articles of association provide that a majority of the Directors must satisfy in all material respects the standards for an "independent" director set forth in the U.K. Combined Code (the "Independent Directors" and, together with the Polygon Directors, the "Directors"). The Directors meet on a regular basis to review and assess the performance of the Issuer and generally to supervise the conduct of its affairs. Lee Olesky, Rupert Dorey, David Jeffreys, Byron Knief, Paddy Dear and David Wishnow have been Directors as well as directors of the Master Fund since July 1, 2005 and are subject to re-election at each annual general meeting. Reade Griffith has been appointed a Director and a director of the Master Fund, effective as of the Closing Date, and is subject to re-election at each annual general meeting.

The Independent Directors of the Issuer and the Master Fund and their business experience are as follows:

Byron Knief

Mr. Knief is Managing Director of Court Square Capital Advisor, LLC. Since 1989, he has raised and invested capital through a series of mezzanine and leveraged debt funds. Prior to 1989, he ran a variety of businesses for Citigroup in the United States, Europe, Canada and Latin America. Mr. Knief received a BA degree from Northwestern University and an MBA from Columbia University. He has served as a director on the boards of several public and private companies. Current corporate board memberships include DavCo Restaurants, Inc., JAC Products, Inc., Olameter, Inc., Polygon Global Opportunities Fund and Polygon Global Opportunities Master Fund. Charitable board memberships include The Milbank Memorial Fund and The Mountain Top Arboretum.

Lee Olesky

Mr. Olesky is the president of Thomson TradeWeb and co-founder of the TradeWeb business, a fixed income electronic trading/brokering platform. Mr. Olesky has over 17 years experience in the global fixed income markets and seven years leading TradeWeb and another fixed income electronic trading/brokering platform, BrokerTec, from start-up through to successful global businesses. Based in London, Mr. Olesky is responsible for TradeWeb and Fixed Income in Europe and Asia at Thomson TradeWeb, and his current focus is to grow Thomson TradeWeb's business internationally and to broaden the platform to incorporate derivatives and credit products. Prior to co-founding TradeWeb, Mr. Olesky was the founder and chief executive officer of BrokerTec, an electronic interdealer broker, which he sold to ICAP in 2003.

Prior to his time managing electronic brokers, Mr. Olesky worked for seven years in a variety of management positions at Credit Suisse First Boston, most recently as chief operating officer for the Fixed Income division in the Americas. Before that, Mr. Olesky was the Director of Fixed Income Legal and Compliance at CSFB and in private law practice. In addition, Mr. Olesky spent two years at the Bond Market Association in the United States where he was responsible for the government securities division.

He has served on the boards of directors of a number of private companies, including: TradeWeb, BrokerTec and Coalition Development Limited, and on various Bond Market Association advisory committees. Mr. Olesky has a JD degree from the National Law Center at the George Washington University in Washington D.C. and an undergraduate degree in History from Tulane University. He also attended the University College in London as an undergraduate.

Rupert Dorey

Mr. Dorey, who is based in Guernsey, has over 22 years of experience in debt capital markets, specializing in credit-related products, including derivative instruments. Mr. Dorey's expertise is principally in the areas of debt distribution, origination and trading, covering all types of debt from investment grade to high yield and distressed debt. Mr. Dorey currently acts as a director on a number of hedge funds, fund of hedge funds and private equity funds. He was at Credit Suisse (and its predecessor firms) for 17 years from 1988 until 2006 and from 2000 until he left Credit Suisse, he was head of sterling credit sales. Previously, he held a number of positions at Credit Suisse, including establishing Credit Suisse's high yield debt distribution business in Europe, fixed income credit product coordinator for European offices and head of UK Credit and Rates Sales.

David Jeffreys

Mr. Jeffreys, who is based in Guernsey, provides directorship services to a small number of fund groups. From 1993 until June 2004, Mr. Jeffreys was managing director of Abacus Fund Managers (Guernsey) Limited, where he was involved with private client trust arrangements, corporate administration, pension schemes and fund administration. He was a board member of Abacus' principal administration operating companies and served on the boards of various administrated client companies. Previously, Mr. Jeffreys worked as an auditor and accountant for 12 years with Coopers & Lybrand (and its predecessor firms). He has an undergraduate degree in Economics and Accounting from the University of Bristol and is a fellow of the Institute of Chartered Accountants in England and Wales.

The Polygon Directors and their business experience are as follows:

Reade Griffith

For Mr. Griffith's biographical details, see "—The Investment Manager".

Paddy Dear

For Mr. Dear's biographical details, see "—The Investment Manager".

David Wishnow

For Mr. Wishnow's biographical details, see "—The Investment Manager".

CORPORATE GOVERNANCE

The Directors of the Issuer and the Master Fund are the same, and the members of their respective audit committees are also the same. In addition, corporate governance provisions described below apply to both the Issuer and the Master Fund. The provisions below regarding compensation captures the total compensation for services as a director to both the Issuer and the Master Fund.

Board Structure, Practices and Committees of the Issuer and the Master Fund

The structure, practices and committees of the Board of Directors, including matters relating to the size, independence and composition of the Board of Directors, the election and removal of Directors, requirements relating to board action and the powers delegated to board committees, are governed by the Articles of Association. The following is a summary of certain provisions of those Articles of Association that affect the Issuer's corporate governance. This summary is qualified in its entirety by reference to all of the provisions of the Articles of Association. Because this description is only a summary of the Articles of Association, it does not necessarily contain all of the information that you may find useful. The Issuer therefore urges you to review the Articles of Association in their entirety.

Size, Independence and Composition of the Board of Directors of the Issuer and the Master Fund

Upon completion of the global offering, the number of Directors shall be seven unless otherwise determined by a resolution of the Voting Shareholder. Subject as set out below, not less than a majority of the Directors must be independent. A Director will be an "Independent Director" if the Board of Directors determines that the person satisfies the standards for independence contained in the U.K. Combined Code in all material respects. If the death, resignation or removal of an Independent Director results in the Board of Directors having less than a majority of Independent Directors, the vacancy must be filled promptly. Pending the filling of such vacancy, the Board of Directors may temporarily consist of less than a majority of Independent Directors and those Directors who do not meet the standards for independence may continue to hold office. A Director who is not an Independent Director will not be required to resign as a Director as a result of an Independent Director's death, resignation or removal. In addition, the Issuer's Articles of Association prohibit the Board of Directors from consisting of a majority of Directors who are resident in the United Kingdom.

Election and Removal of Directors of the Issuer and the Master Fund

Each member of the Issuer's Board of Directors is elected annually by the holders of its Voting Shares. All vacancies on the Board of Directors including by reason of death or resignation may be filled, and additional Directors may be appointed, by a resolution of the holders of the Issuer's Voting Shares.

A Director may be removed from office for any reason by notice requesting resignation signed by all other Directors then holding office, if the Director is absent from four successive meetings without leave expressed by a resolution of the Directors or for any reason by a resolution of the holders of Voting Shares. A Director will also be removed from the Board of Directors if he becomes bankrupt, if he becomes of unsound mind, if he becomes a resident of the United Kingdom and such residency results in a majority of the Board of Directors being residents of the United Kingdom or if he becomes prohibited by law from acting as a Director. A Director is not required to retire upon reaching a certain age.

Action by the Board of Directors of the Issuer and the Master Fund

The Board of Directors may take action in a duly convened meeting, for which a quorum is five Directors, or by a written resolution signed by at least five Directors. When action is to be taken by the Board of Directors, the affirmative vote of five of the Directors then holding office is required for any action to be taken. As a result, the Board of Directors will not be able to act without the affirmative vote of one or more Polygon Directors.

The Directors are responsible for the management of the Issuer. They have delegated to the Investment Manager certain functions, including broad discretion to adopt an investment strategy to implement the Company's investment objective. However, certain matters are specifically reserved for the Board of Directors under the Articles of Association, including the power to modify the Company's investment objective, declare dividend payments, authorize Share repurchases and borrow or raise money and secure any debt or obligation of the Issuer. See "Part XII—Additional Information—Summary of the Issuer's Memorandum and Articles of Association" for a description of actions requiring a resolution of the Directors.

Transactions in which a Director has an Interest

Provided that a Director has disclosed to the other Directors the nature and extent of any material interests of his, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Issuer or the Master Fund or in which the Issuer or the Master Fund is otherwise interested, and shall not be accountable to the Issuer or the Master Fund for any benefit derived from any such transaction or arrangement, and no such transaction or arrangement shall be void or voidable on the ground of any such interest or benefit or because such Director is present at or participates in the meeting of the Directors that approves such transaction or arrangement, *provided* that (i) the material facts as to the interest of such Director in such transaction or arrangement have been disclosed or are known to the Directors and the Directors in good faith authorize the transaction or arrangement and (ii) the approval of such transaction or arrangement includes the votes of a majority of the Directors that are not interested in such transaction or such transaction is otherwise found by the Directors (before or after the fact) to be fair to the Issuer or the Master Fund as of the time it is authorized.

Audit Committee

The Board of Directors will be required to establish and maintain at all times after the closing of the global offering an audit committee consisting solely of Independent Directors. The Issuer and the Master Fund expect that the audit committee on the closing date of the global offering will consist of Messrs. Dorey, Knief, Jeffreys and Olesky.

The audit committee will be responsible for assisting and advising the Board of Directors with matters relating to:

- the Issuer's accounting and financial reporting processes;
- the integrity and audits of the Issuer's financial statements;
- the qualifications, performance and independence of the Issuer's independent accountants;
- the qualifications, performance and independence of any third party that provides valuations for the Issuer's investments; and
- recommending to the holders of Voting Shares the firm of independent accountants to be engaged to conduct audits.

The audit committee will also be responsible for reviewing and making recommendations with respect to the plans and results of each audit engagement with the Issuer's and the Master Fund's independent

accountants, the audit and non-audit fees charged by the independent accountants and the adequacy of the Issuer's and the Master Fund's internal accounting controls.

Compensation

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Initially, the Directors' annual fee shall be $50,000, in compensation for service on the Boards of Directors of both the Issuer and the Master Fund. The Master Fund will pay the Directors' fees. The Polygon Directors have waived their entitlement to a fee. The Directors are entitled to be repaid by the Issuer all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. Directors of the Master Fund are compensated and reimbursed on the same basis. None of the Directors has a contract with the Issuer or the Master Fund providing for benefits upon termination of employment.

Corporate Governance Rules

No formal corporate governance code will apply to the Issuer or the Master Fund under Dutch law. The Issuer and the Master Fund will be required to comply with all provisions of Guernsey company law relating to corporate governance to the extent the same are applicable and relevant to the Issuer's activities. In particular, each Director will seek to act in accordance with the "Code of Practice—Company Directors" issued by the Guernsey Financial Services Commission.

Indemnity

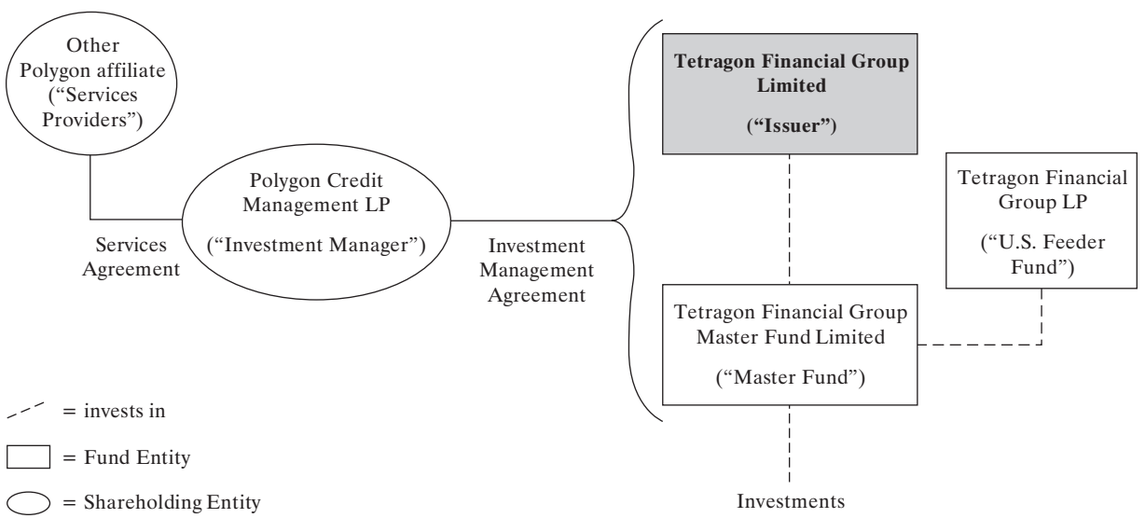
Each present and former Director or officer of the Issuer and the Master Fund will be indemnified against any loss or liability incurred by the Director or officer by reason of being or having been a Director or officer of the Issuer or the Master Fund. In addition, the Directors may authorize the purchase or maintenance by the Issuer and the Master Fund for any Director or officer or former Director or officer of the Issuer or the Master Fund of any insurance, in respect of any liability which would otherwise attach to the Director or officer or former Director or officer.

RELATIONSHIP WITH POLYGON

Organizational and Investment Structure

The chart below presents the organizational and investment structure that the Issuer expects to have after it completes the global offering and related transactions.

Tetragon Management Organization Chart



The Investment Manager

Polygon Credit Management LP acts as Investment Manager of the Issuer and the Master Fund. The Investment Manager was established as a limited partnership under the laws of Delaware, United States on May 11, 2005.

The general partner of the Investment Manager is Polygon Credit Management GP LLC, a Delaware limited liability company directly or indirectly controlled by Reade Griffith, Alexander Jackson and Paddy Dear. The Investment Manager has primary responsibility for the management and administration of Issuer, the U.S. Feeder Fund and the Master Fund, and is responsible for the investment of the Company's assets and has discretionary authority to invest the same in accordance with the investment objective set out in this prospectus.

The general partner is responsible for all actions of the Investment Manager, provided, however, that all investment decisions for the Company are made by an investment committee of the Investment Manager currently composed of the Principals (the "Investment Committee"). Their business experience follows:

- *Reade Griffith.* Mr. Griffith co-founded Polygon in 2002 (with Alexander Jackson and Paddy Dear). He was previously the founder and former chief executive officer of the European office of Citadel Investment Group, a multi-strategy hedge fund that he joined in 1998. He was a partner and senior managing director responsible for running the Global Event Driven arbitrage team in Tokyo, London and Chicago for the firm. He was previously with Baker, Nye, where he was an analyst working on an arbitrage and special situations portfolio. Mr. Griffith holds a JD degree from Harvard Law School and an undergraduate degree in Economics from Harvard College. He also served as an officer in the U.S. Marine Corps and left as a Captain following the 1991 Gulf War. At Polygon, he is primarily focused on the equity trading businesses, including merger arbitrage and event-driven arbitrage, trading and risk management.
- *Alexander Jackson.* Mr. Jackson is a co-founder of Polygon (with Reade Griffith and Paddy Dear). He was previously the chief executive officer of the European office of Highbridge Capital Management. During his nine years at Highbridge, Mr. Jackson invested and supervised the Asian and European convertible and credit books and provided insight and input to the U.S. team. Prior to joining Highbridge, he worked for Taylor & Company in Texas where he was responsible for equity derivative investments in Japan. He started his career at Paine Webber. He holds an MBA degree from Columbia University and an undergraduate degree in Mathematics from Tufts University. At Polygon, he is primarily focused on the convertible arbitrage, credit and capital structure arbitrage, structured credit and private investments businesses, risk management and systems development.
- *Paddy Dear.* Mr. Dear is a co-founder of Polygon (with Reade Griffith and Alexander Jackson). He was previously managing director and the global head of Hedge Fund Coverage for UBS Warburg Equities. As global head of Hedge Fund Coverage and Chairman of the Global Hedge Fund Committee, he was responsible for the delivery of all of the bank's products and services to hedge fund clients globally. He was on the board of UBS Netherlands, and was a member of both the European Equity Business Committee and the Extended Global Equity Business Committee. Prior to this, Mr. Dear was co-head of European sales trading, execution, arbitrage sales and flow derivatives. He had been with UBS since 1988, including six years in New York. Mr. Dear was in equity sales at Prudential Bache before joining UBS. Prior to working in investment banking, Mr. Dear was a petroleum engineer with Marathon Oil Co. He holds an undergraduate degree in Petroleum Engineering from Imperial College in London. Mr. Dear's responsibilities at Polygon include risk management, overseeing Polygon's non-trading activities, managing investment bank interfaces and relationships and new business development.
- *Jeffrey Herlyn.* Mr. Herlyn joined the Investment Manager as a principal upon its formation in May 2005. Prior to that, he was a managing director and co-head (with Michael Rosenberg) of the Global CDO Group at UBS AG, responsible for a group focused on structuring, originating and distributing CDOs in addition to managing the secondary CDO trading desk. Prior to joining UBS, he was a managing director at JPMorgan and a co-head (also with Mr. Rosenberg) of the firm's North American CDO Group. Previously, Mr. Herlyn was a managing director at CIBC World Markets where he held various positions within the North American Capital Markets Group, including National Sales Manager and head of the U.S. Government Primary Dealer Trading Desk. Mr. Herlyn also served on the firm's benefits and compliance committees. Prior to

joining CIBC, Mr. Herlyn was a Fixed Income sales person at Chase Securities and Manufacturers Hanover Securities Corp. Prior to joining the Manufacturers Fixed Income Sales Group, he was a Corporate Lending Officer for Manufacturers Hanover Trust Co. responsible for Large and Middle Market Lending. Mr. Herlyn holds an MBA from Fordham University and a Bachelor in Administration from St. Lawrence University.

- *Michael Rosenberg.* Mr. Rosenberg joined the Investment Manager as a principal upon its formation in May 2005. Prior to that, he was a managing director and co-head (with Jeffrey Herlyn) of the Global CDO Group at UBS AG, responsible for a group focused on structuring, originating and distributing CDOs in addition to managing the secondary CDO trading desk. Previously, he was the co-head (also with Mr. Herlyn) of the North American CDO Group at JPMorgan. Prior to working in investment banking, Mr. Rosenberg worked in the mortgage banking industry both in the United States and internationally. He helped start the first private mortgage bank in Poland and worked with various private and public institutions in the development of a mortgage banking market in the former Soviet Union. He holds an MBA degree from George Washington University and an undergraduate degree in Finance from the University of Delaware.
- *David Wishnow.* Mr. Wishnow joined the Investment Manager as a principal upon its formation in May 2005. Prior to that, he was a managing director and head of European and Asian Hedge Company Client Management for the Fixed Income, Rates and Currency (FIRC) division at UBS AG in London. He chaired FIRC's Global Hedge Fund Committee, was co-chairman of the European Distribution Committee and a member of the European Management Committee. Prior to these positions, he was European co-head of UBS's Banks/Insurance Credit Fixed Income Sales and global head of Short Duration Sales, responsible for the distribution of financing, money market and short-term fixed income products. Previously, Mr. Wishnow served as global head of Fixed Income Collateral Trading/Financing in London, global head of Money Markets and Repurchase Transactions in New York and was treasurer and head of trading for UBS (Canada) in Toronto. Prior to joining UBS, he was head of Short Date Derivatives for Midland Montagu. He holds an undergraduate degree in Business Administration with a concentration in Finance from the University of Vermont.

Summary of Key Terms of the Investment Management Agreement

Under the investment management agreement to be entered into on the Closing Date among the Issuer, the Master Fund, the U.S. Feeder Fund and the Investment Manager (the "Investment Management Agreement"), the Investment Manager has been appointed the Investment Manager of the Issuer, the U.S. Feeder Fund and the Master Fund to provide investment management services to each entity, in accordance with the terms of the Investment Management Agreement. The Investment Manager has full discretion, in accordance with the terms of the Investment Management Agreement, to invest the assets of the Issuer, the U.S. Feeder Fund and the Master Fund in a manner consistent with the investment objective described in this prospectus. The Investment Manager is authorized to delegate its functions under the Investment Management Agreement.

The Investment Management Agreement shall continue in full force and effect unless terminated (i) by the Investment Manager at any time upon 60 days' notice or (ii) immediately upon the Issuer, the Master Fund or the U.S. Feeder Fund giving notice to the Investment Manager or the Investment Manager giving notice to the Master Fund, the Issuer or the U.S. Feeder Fund in relation to such entity in the event of (a) the party in respect of which notice has been given becoming insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or a receiver being appointed over all or a substantial part or of its assets or it becoming the subject of any petition for the appointment of an administrator, trustee or similar officer, (b) a party committing a material breach of the Investment Management Agreement which causes a material adverse effect to the non-breaching party and (if such breach shall be capable of remedy) not making good such breach within 30 days of service upon the party in breach of notice requiring the remedy of such breach or (c) fraud or wilful misconduct in the performance of a party's duties under the Investment Management Agreement.

The Investment Management Agreement provides that none of the Investment Manager, its affiliates or their respective members, managers, partners, shareholders, directors, officers and employees (including their respective executors, heirs, assigns, successors or other legal representatives) (each, an "Investment

Manager Indemnified Party") will be liable to the Master Fund, the Issuer, the U.S. Feeder Fund or any investor in the Master Fund, the Issuer or the U.S. Feeder Fund for any liabilities, obligations, losses (including, without limitation, losses arising out of delay, mis-delivery or error in the transmission of any letter, cable, telephonic communication, telephone, facsimile transmission or other electronic transmission in a readable form), damages, actions, proceedings, suits, costs, expenses (including, without limitation, legal expenses), claims and demands suffered in connection with the performance by the Investment Manager of its obligations under the Investment Management Agreement or otherwise in connection with the business and operations of the Issuer, the Master Fund or the U.S. Feeder Fund, in the absence of fraud or wilful misconduct on the part of an Investment Manager Indemnified Party, and the Issuer, the Master Fund and the U.S. Feeder Fund have each agreed to indemnify each Investment Manager Indemnified Party against any such liabilities, obligations, losses, damages, actions, proceedings, suits, costs, expenses, claims and demands, except as may be due to the fraud or wilful misconduct of the Investment Manager Indemnified Party.

The Investment Manager may act as investment manager or advisor to any other person, so long as its services to the Issuer, Master Fund or U.S. Feeder Fund are not materially impaired thereby, and need not disclose to the Issuer, the Master Fund or the U.S. Feeder Fund anything that comes to its attention in the course of its business in any other capacity than as Investment Manager. The Investment Manager is not liable to account for any profit earned or benefit derived from advice given by the Investment Manager to other persons. The Investment Manager will not be liable to the Issuer, the U.S. Feeder Fund or the Master Fund for any loss suffered in connection with the Investment Manager's decision to offer investments to any other person, or failure to offer investments to the Issuer, the U.S. Feeder Fund or the Master Fund. The Investment Manager is authorized to enter into transactions on behalf of the Issuer, the U.S. Feeder Fund and the Master Fund with persons who are affiliates of the Investment Manager; *provided* that in connection with any such transaction that exceeds $5 million of aggregate investment, the Investment Manager obtains either (i) the approval of a majority of the members of the Board Directors of the Issuer and the Master Fund that do not have a material interest in such transaction (whether as part of a Board of Directors resolution or otherwise) or (ii) an opinion from a recognized investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to the Issuer, the U.S. Feeder and the Master Fund from a financial point of view.

The employees, shareholders or agents may have an interest in the Investment Manager or the Issuer, Master Fund or U.S. Feeder Fund and will not be required to account to any other person for any profit or benefit arising out of any such interest.

Details of the fees payable to the Investment Manager are disclosed in "—Fees and Expenses".

FEES AND EXPENSES

After the closing of the global offering, all fees and expenses of the Issuer, the U.S. Feeder Fund and the Master Fund, except for the incentive fees for the Investment Manager (as described below), will be paid by the Master Fund and allocated pro rata between the Issuer and the U.S. Feeder Fund, based on the Issuer's and the U.S. Feeder Fund's percentage ownership of the Master Fund, including management fees relating to the administration of each of the Issuer and the U.S. Feeder Fund. An incentive fee will be paid to the Investment Manager by each of the Issuer and the U.S. Feeder Fund.

The Investment Manager is entitled to receive management fees equal to one and one-half percent (1.5%) per annum of the NAV of the Issuer, calculated on a Share-by-Share basis and payable monthly in advance prior to the deduction of any accrued incentive fees. The Investment Manager is also entitled to receive management fees equal to one and one-half percent (1.5%) per annum of the NAV of the U.S. Feeder Fund, calculated and payable in the same manner as set forth above with respect to the Issuer. No separate management fees are payable with respect to the NAV of the Master Fund.

Management fees are payable to the Investment Manager at the beginning of each calendar month in advance.

The Issuer will also pay to the Investment Manager an incentive fee for each Calculation Period (as defined below) equal to 25% of the increase in the NAV of the Issuer during the Calculation Period (before deduction of any dividend paid during such Calculation Period) above (i) the Reference NAV (as defined below) plus (ii) the Hurdle (as defined below) for the Calculation Period. If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period. The U.S. Feeder Fund will pay the Investment Manager an incentive fee

equal to 25% of the increase in the NAV of the U.S. Feeder Fund, calculated in the same manner as set forth above with respect to the Issuer.

A "Calculation Period" is a period of three months ending on March 31, June 30, September 30 and December 31 of each year, or as otherwise determined by the Directors.

The "Reference NAV" is the greater of (i) NAV at the end of the Calculation Period immediately preceding the current Calculation Period and (ii) the NAV as of the end of the Calculation Period immediately preceding the Calculation Period referred to in clause (i). For the purposes of determining Reference NAV at the end of a Calculation Period, NAV shall be adjusted by the amount of accrued dividends and incentive fees to be paid with respect to that Calculation Period.

The "Hurdle" for any Calculation Period will equal (i) the Reference NAV multiplied by (ii) the Hurdle Rate (defined below).

The "Hurdle Rate" for any Calculation Period will equal (i) 8% per annum for any Calculation Period ending on or prior to the one year anniversary of the Closing Date and (ii) thereafter 3-month U.S. Dollar LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period plus the Hurdle Spread, in each case multiplied by (x) the actual number of days in the Calculation Period divided by (y) 365.

The "Hurdle Spread" shall equal a rate per annum equal to (i) 8% minus (ii) the average 3-month U.S. Dollar LIBOR at 11:00 a.m. London time on the 20 London business days preceding the Pricing Date.

The incentive fee in respect of each Calculation Period is calculated by reference to the increase in NAV of the Shares before deduction of any accrued incentive fee. The incentive fee is normally payable in arrears within 14 calendar days of the end of the Calculation Period. If the Investment Management Agreement is terminated other than at the end of a Calculation Period, the date of termination will be deemed to be the end of the Calculation Period. The Investment Manager does not charge separate fees based on the NAV of the Master Fund.

Under the provisions of a deferred fee agreement between the Issuer and the Investment Manager, the Investment Manager may defer payment of all, or a portion of, the incentive fee. Under this agreement, up to 100% of the amount which the Investment Manager elects to defer in any year may be invested in the same manner as the Issuer's other assets. The amount of the fees which the Investment Manager elects to defer in any year may be deferred for a period of up to 10 years and 90 days. Deferred amounts will be paid in cash.

The costs and expenses of the global offering, including underwriting discounts and commissions and placement fees of up to 3.5% of the gross proceeds of the global offering, will be borne by the Issuer and the Master Fund and are estimated to be $29.8 million assuming 30,000,000 Shares are issued in the global offering and the Over-allotment Option is not exercised. The estimated costs and expenses include $11.8 million representing the fair value of the options issued to the Investment Manager. The Issuer, in its discretion, may pay the Joint Bookrunners an incentive fee equal to 0.5% of the gross proceeds of the global offering, determinable no later than one Business Day prior to the Closing Date. The estimated costs and expenses above do not include this incentive fee.

The Master Fund's Growth Shares (the "Growth Shares") were issued by the Master Fund to the Principal Manager to reward the Principal Manager for the value delivered to shareholders as a result of an offering of the Master Fund, the Issuer or the U.S. Feeder Fund. To the extent that the Offer Price is greater than NAV of the existing shares, holders of Growth Shares shall be entitled to receive Shares having an aggregate value of 20% of such premium, and the number of Shares issued to existing investors in the Share Conversion Transactions (as defined below) will be decreased by an equal amount. The Growth Shares will be retired upon the closing of the global offering and will no longer be outstanding. For further information about the right of the holder of the Growth Shares to receive Shares, see "Part XII—Additional Information—Modification of Existing Shares and Exchange Provisions Relating to U.S. Feeder Fund Interests".

The Administrator receives from the Master Fund a monthly administration fee, calculated by reference to a sliding scale of charges, which are subject to a minimum fee level of $28,500. These fees are based on the NAV of the Master Fund as at the last Business Day of the relevant month. Certain other reasonable out-of-pocket expenses of the Administrator may also be charged in accordance with the Administration Agreement (as defined below).

The Transfer Agent (as defined below) receives from the Master Fund monthly fees for its services, which are subject to a minimum fee level of $50,000.

KAS Bank N.V., as Issuing Agent, Dutch Paying Agent and Dutch Transfer Agent, receives from the Master Fund a fixed annual fee for its services of €25,000.

The Prime Broker (as defined below) receives commissions from the Master Fund at normal commercial rates on transactions which it executes. The Prime Broker charges debit interest on debit balances at agreed rates, the amount of which is reduced by the amount of credit interest payable on credit balances generated by short sales. The Prime Broker also receives interest and fees on financing it provides to the Master Fund. The Prime Broker receives separate fees for clearing and settlement services, but not for custodial services. These arrangements may be modified by agreement.

The Master Fund also pays the costs and expenses of all transactions carried out by it or the Issuer or on its or the Issuer's behalf and the administration of the Issuer and/or the Master Fund including (a) the charges and expenses of all legal advisers, auditors, accountants (including out-sourced accounting) and other professional expenses, (b) brokers' commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions, (c) all taxes and corporate fees payable to governments or agencies, (d) Directors' fees (if any) and expenses, (e) interest on borrowings, including borrowings from the Prime Broker, (f) such expenses incurred by the Investment Manager in soliciting subscriptions for Shares as shall be approved by the Directors, (g) communication expenses with respect to investor services and all expenses of meetings of shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, (h) the cost of insurance (if any) for the benefit of the Directors, the Investment Manager or its affiliates, (i) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, (j) the cost of obtaining and maintaining any listing of the Shares on any stock exchange, (k) custodial fees, (l) bank service fees, (m) research expenses, (n) marketing costs, including production and distribution of marketing materials and conferences (conference charges and marketing-related travel expenses), (o) travel expenses related to investments of the Master Fund, whether consummated or not, (p) other expenses related to the potential or actual acquisition or disposition of assets of the Issuer and the Master Fund and (q) all other organizational and operating expenses. All fees and expenses are payable at cost. To the extent expenses are borne by the Master Fund, then the Issuer in effect pays a pro rata share, with the U.S. Feeder Fund paying the balance.

If the Investment Manager incurs any expenses for the account of the Master Fund and other accounts managed by the Investment Manager, the Investment Manager will allocate such expenses among the Master Fund and each such account in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as the Investment Manager considers fair and reasonable.

The formation expenses of the Issuer and the Master Fund, $1,334,084 in the aggregate, were borne out of the proceeds of the initial issue of shares (and, in the case of the Master Fund, the initial issue of interests in the U.S. Feeder Fund). For purposes of calculating NAV, such expenses are being amortized on a straight line basis over a period of up to three years from the date on which the Company commenced business. For purposes of U.S. GAAP, such expenses were expensed in the fiscal year ended December 31, 2005.

CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

Various potential and actual conflicts of interest may arise from the overall investment, advisory and other activities of the Investment Manager, its affiliates including Polygon and their respective clients, as well as their respective directors, officers, employees and agents (collectively, "Related Parties"). Other than the interests set out below, any interest of the Directors set out in "Part XII—Additional Information—General Directors' Interests", the arrangements set out in "Part VI—The Offer—Other Services Provided by the Joint Bookrunners" and the potential conflicts of interest set out in "Risk Factors", there are no potential conflicts of interest material to the global offering.

The Investment Manager provides its services to the Company on a non-exclusive basis. Polygon provides, and in the future the Investment Manager may provide, investment management, investment advice and other services in relation to a number of clients, including without limitation, other investment funds, CDO products and other Securitization Vehicles, client accounts and proprietary accounts in which the Issuer or the Master Fund will have no interest that have investment objectives, strategies and asset classes

overlapping with those of the Company, and are active in advising on the structuring of loans, securities or investments in which the Company and such clients may invest. In particular, Polygon currently provides investment management services to the Polygon Global Opportunities Master Fund and its related entities. The investment program of the Polygon Global Opportunities Master Fund allows investments in CDO products and other Securitization Vehicles and other instruments in which the Issuer or the Master Fund may invest. These activities may give rise to actual or potential conflicts of interest involving the Company. For example, certain investment opportunities that may be appropriate for the Company may also be appropriate for other clients managed or advised by the Investment Manager or its affiliates, but the ability to participate in those opportunities may be limited by supply. In such case, participation in such opportunities will be allocated on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the respective investment program and portfolio positions of the Issuer, the Master Fund and the other investment program. Such considerations may result in allocations of certain investments on other than a *pari passu* basis. The Investment Manager will not be under any obligation to ensure that the Company has the opportunity to participate in all potential investments identified by the Investment Manager that would comport with the Company's investment objective.

Related Parties may acquire or hold investments that are senior to, junior to, or have interests different from or adverse to, the obligations and interests constituting the Company's assets. They may act in a proprietary capacity and hold long or short positions in investments of all types, including investments held by the Company, and any related derivative instruments. The Investment Manager and other Related Parties may sell or purchase interests in investments for clients or proprietary accounts that are the same as or comparable to the investments constituting the Company's assets at prices and times different from those that apply to transactions effected for the Company, depending on existing market conditions and other factors. The Investment Manager and other Related Parties may have other on-going relations, and render services to, engage in transactions with, or otherwise be involved with entities in which the Company invests or with which it transacts. This will be particularly true with regard to financial institutions that enter into derivative instruments (such as total return and credit default swaps) with the Company, or that furnish debt or other financing to the Company. Situations may occur where the Company could be disadvantaged because of the investment or other activities conducted by the Investment Manager or other Related Parties.

The Investment Manager and its affiliates, partners, members, officers, principals and employees devote as much of their time to the activities of the Issuer and the Master Fund as the Investment Manager deems necessary and appropriate. The Investment Manager and its affiliates are not restricted from forming additional investment funds, forming or sponsoring CDO products and other Securitization Vehicles, serving as asset manager for CDO products and other Securitization Vehicles, entering into other investment management relationships or engaging in other business activities, even though such activities may be in competition with the Issuer and the Master Fund, whether in terms of the assets they seek, their credit needs or their attraction for third party equity investors, and/or may involve substantial time and resources of the Investment Manager and the other Related Parties.

The Investment Manager, its affiliates, their respective clients and their respective directors, officers, employees and agents may:

- serve as directors (whether supervisory or managing), officers, partners, employees, agents, nominees, signatories or members of creditors' committees for any obligor under any obligations included in the Company's portfolio or its respective affiliates;
- receive fees and other consideration for services of any nature rendered to the obligor under any obligations included in the Company's portfolio or to such obligor's affiliates (but not in the nature of a commission, sales charge or similar fee in respect of an investment by the Company in any such obligor);
- be a secured or unsecured creditor of, or hold an equity interest in, the Company, its affiliates or any obligor under any obligation included in the Company's portfolio; and
- be retained to provide services to the obligor under any obligations included in the Company's portfolio or its affiliates that are unrelated to the Investment Management Agreement and be paid for such services.

The Investment Manager will not be required to, and will not be responsible for any failure to, take any action, effect any transaction or make any recommendation whatsoever in relation to any part of the

Company's investment portfolio in circumstances when it or any of its affiliates is in possession of information which is or which might reasonably be considered to be price sensitive information and, in the opinion of the Investment Manager, such action, transaction or recommendation might breach any of the provisions of insider dealing legislation or laws or regulations to which it, its affiliates or the Issuer or the Investment Manager may be subject.

In negotiating investments or leveraging, the Investment Manager may encounter counterparties who require that agreements with the Company be terminable by the counterparties and amounts owed be paid if the Investment Manager ceases to be the asset manager of the Company. Such provisions present a potential conflict of interest because they may be viewed as securing the Investment Manager in its appointment.

The Investment Manager may work with third parties in seeking to source securitization transactions where the Residual Tranche in a new SPV established for the purpose of the transaction is suitable for the Company. The Investment Manager may receive fees from the originating bank or financial institution, any arranging banks or other parties advising on such securitization transactions or from the relevant SPV itself in each case in respect of structuring advice in relation to the relevant SPV without having to account to the Company for such fees. The Company may acquire such Residual Tranches, including in circumstances where the Investment Manager is the manager of the relevant asset or issuer.

The Investment Manager receives an incentive fee from the Issuer and the U.S. Feeder Fund based upon the appreciation, if any, in the net assets of the Issuer and the U.S. Feeder Fund. The incentive fee theoretically may create an incentive for the Investment Manager to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, because the incentive fee is calculated on a basis which includes unrealized appreciation, it may be greater than if such compensation were based solely on realized gains.

In the year ended December 31, 2006, amounts paid by the Issuer to affiliated parties (including amounts paid by the Master Fund and allocated to the Issuer), comprising management and incentive fees paid to Polygon Credit Management (Guernsey) Limited pursuant to a principal management agreement among the Principal Manager, the Issuer, the Master Fund and the U.S. Feeder Fund, amounted to $9.7 million, or 24.67% of investment income for such period. Such principal management agreement will terminate on the Closing Date and after the Closing Date management fees and incentive fees will instead be paid to the Investment Manager pursuant to the Investment Management Agreement.

In the year ended December 31, 2006, amounts paid by the Master Fund to affiliated parties amounted to $1.1 million, or 2% of investment income for such period.

The Investment Manager and other Related Parties, in connection with their other business activities, may acquire material non-public information that may restrict the Investment Manager from purchasing securities or selling securities for itself or its clients (including its determinations with respect to the sale of the Company's assets) or otherwise using such information for the benefit of its clients or itself. More broadly, the ability of the Investment Manager to purchase or sell assets for the Company in the future may be restricted by applicable regulatory requirements in Guernsey or elsewhere and/or the Investment Manager's internal policies designed to comply with such requirements. As a result, there may be periods when the Investment Manager will not initiate certain types of transactions in certain investments and, in any such case, the Company might not be advised of the fact.

The Voting Shareholder, an affiliate of the Investment Manager, will hold all of the Voting Shares of the Issuer. Because the Voting Shareholder will be an affiliate of the Investment Manager, its interests may be different from the interests of other Shareholders.

Subject to internal compliance policies and approval procedures, principals, officers and employees of the Investment Manager may engage, from time to time, in personal trading of securities and other instruments, including securities and instruments in which the Master Fund may invest. The records of any such personal trades by the Investment Manager, its affiliates or their officers, principals or employees for their own account will not be open to inspection by any Shareholder. With respect to their personal accounts, the Investment Manager, its affiliates and their officers, principals and employees might take investment positions different from, or contrary to, those taken by the Master Fund.

On the Closing Date, the Investment Manager will be granted the right to acquire an amount of Shares equal to 10% of the number of Shares outstanding immediately after the closing of the global offering, at an exercise price per Share equal to the Offer Price. Such grant of options shall be in consideration for the

Investment Manager's services to the Issuer in connection with the issuance of Shares in the global offering. Such options are fully vested and immediately exercisable on the date of admission to listing of the Shares on Eurolist by Euronext Amsterdam on an unconditional basis ("Admission") and will remain exercisable until the 10th anniversary of Admission. The fair value of the options is estimated to be 11.8 million.

The Issuer may grant further options to the Investment Manager in connection with any future offering of Shares, on the terms determined at the time of any such transaction.

The Administrator may also provide its services to, or otherwise be involved with, other investment programs established by parties other than the Issuer or the Master Fund which may have similar objectives to those of the Issuer or the Master Fund. It is therefore possible that the Administrator may, in the course of business, have potential conflicts of interest with the Issuer or the Master Fund.

Provided that a Director has disclosed to the other Directors the nature and extent of any material interests of his, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Issuer or in which the Issuer is otherwise interested, and shall not be accountable to the Issuer for any benefit derived from any such transaction or arrangement, and no such transaction or arrangement shall be void or voidable on the ground of any such interest or benefit or because such Director is present at or participates in the meeting of the Directors that approves such transaction or arrangement, *provided* that (i) the material facts as to the interest of such Director in such transaction or arrangement have been disclosed or are known to the Directors and the Directors in good faith authorize the transaction or arrangement and (ii) the approval of such transaction or arrangement includes the votes of a majority of the Directors that are not interested in such transaction or such transaction is otherwise found by the Directors (before or after the fact) to be fair to the Issuer as of the time it is authorized.

SERVICES AGREEMENT

The Investment Manager will enter into a services agreement on the Closing Date with Polygon Investment Partners LLP, a company organized under the laws of England and Wales ("Polygon U.K.") and Polygon Investment Partners, LP, a Delaware limited partnership ("Polygon U.S." and, together with Polygon U.K., the "Services Providers"), (the "Services Agreement"). Under the Services Agreement, Polygon U.K. and Polygon U.S. provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager (the "Services"). The Investment Manager is authorized under the Investment Management Agreement to delegate the provision of any services for the Issuer, the U.S. Feeder Fund and the Master Fund. The Services Providers are entitled to receive fees in consideration for the Services provided under the Services Agreement. Each of Polygon U.K. and Polygon U.S. invoices the Investment Manager on a monthly basis, and the Investment Manager pays each such invoice within 10 days of receipt.

The Services Agreement will continue in force until terminated by the Investment Manager, Polygon U.K. or Polygon U.S. (i) upon 60 days' notice in writing to the other parties or (ii) immediately upon giving notice to the other parties in the event of (a) any other party becoming insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by any other party) or a receiver being appointed over all or a substantial part of its assets or it becoming the subject of any petition for the appointment of an administrator, trustee or similar officer, (b) any other party committing a material breach of the Services Agreement which causes a material adverse effect on the business to a non-breaching party and (if such breach shall be capable of remedy) not making good such breach within 30 days of service upon the party in breach of notice requiring the remedy of such breach or (c) fraud or wilful misconduct in the performance of any other party's duties under the Services Agreement. It may also be terminated forthwith by any party on immediate written notice if any other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if the other party is dissolved or otherwise is unable to pay its debts, becomes insolvent or enters into insolvency proceedings.

The Services Agreement provides that none of the Services Providers, their affiliates or their respective directors, partners, members, managers, shareholders, officers and employees (including their respective executors, heirs, assigns, successors or other legal representatives) (each, a "Services Providers Indemnified Party") will be liable to the Investment Manager for any liabilities, obligations, losses (including, without limitation, losses arising out of delay, mis-delivery or error in the transmission of any

letter, cable, telephonic communication, telephone, facsimile transmission or other electronic transmission in a readable form), damages, actions, proceedings, suits, costs, expenses (including, without limitation, legal expenses), claims and demands suffered in connection with the provision of Services under the Services Agreement in the absence of fraud or wilful misconduct on the part of a Services Providers Indemnified Party. The Investment Manager agrees to indemnify and keep indemnified each Services Providers Indemnified Party against any liabilities, obligations, losses (including without limitation losses arising out of delay, mis-delivery or error in the transmission of any letter, cable, telephonic communication, telephone, facsimile transmission or other electronic transmission in a readable form), damages, actions, proceedings, suits, costs, expenses (including without limitation legal expenses), claims and demands suffered, incurred or sustained in connection with the provision of Services under the Services Agreement, other than liabilities arising out of such Services Providers Indemnified Party's fraud or wilful misconduct.

Under the Services Agreement, Polygon U.K. and Polygon U.S. is free to render similar services to others so long as their Services under the Services Agreement are not thereby impaired. Neither Polygon U.K. nor Polygon U.S. is deemed to be affected with notice of or to be under any duty to disclose to the Investment Manager anything which may come to the notice of Polygon U.K. or Polygon U.S. or any director, officer, servant, employee or agent thereof in the course of or in connection with its rendering such services to any other person or in any manner whatsoever otherwise than in the course of carrying out its duties under the Services Agreement.

THE ADMINISTRATOR AND SUB-ADMINISTRATOR

The Issuer, the U.S. Feeder Fund and the Master Fund will enter into an administration agreement on the Closing Date (the "Administration Agreement") with Kleinwort Benson (Channel Islands) Fund Services Limited (the "Administrator"), pursuant to which the Administrator provides certain financial, accounting, corporate, administrative and other services. The Administrator will delegate certain of its duties to Investors Fund Services (Ireland) Limited (the "Sub-Administrator") pursuant to a sub-administration agreement to be entered into on the Closing Date (the "Sub-Administration Agreement"). The Issuer, the U.S. Feeder Fund and the Master Fund are also parties to the Sub-Administration Agreement, and have consented to the appointment of the Sub-Administrator thereunder.

The Administrator is a company incorporated in Guernsey with limited liability on May 11, 1978. The ultimate holding company of the Administrator is Allianz A.G., which is incorporated in Germany.

The Administration Agreement and the Sub-Administration Agreement provide that the Issuer, the U.S. Feeder Fund and the Master Fund will indemnify and hold harmless (i) the Administrator and its officers, directors and employees (each, an "Administrator Indemnified Party") and (ii) the Sub-Administrator and its officers, directors and employees (each, a "Sub-Administrator Indemnified Party"), from and against all losses, claims, damages, liabilities, cost and expenses, including reasonable attorneys' fees, arising out of or in connection with the performance of the Administrator's or the Sub-Administrator's duties under the Administration Agreement or the Sub-Administration Agreement, respectively, other than by reason of any breach by the Administrator or the Sub-Administrator of any term of the Administration Agreement or the Sub-Administration Agreement, respectively, or any negligence, fraud, bad faith, recklessness or wilful misconduct on the part of an Administrator Indemnified Party or a Sub-Administrator Indemnified Party in the performance or non-performance of the Administrator's or the Sub-Administrator's duties under the Administration Agreement or the Sub-Administration Agreement, respectively.

The Administrator will indemnify and hold harmless the Issuer, the Master Fund, the U.S. Feeder Fund and their directors, officers and employees from and against any losses, claims, damages, liabilities, cost and expenses, including reasonable attorneys' fees, arising directly from any negligence, fraud, bad faith, recklessness or wilful misconduct on the part of an Administrator Indemnified Party in the performance or non-performance of the Administrator's duties under the Administration Agreement.

The Sub-Administrator will indemnify and hold harmless the Administrator, the Issuer, the Master Fund, the U.S. Feeder Fund and their directors, officers and employees from and against any losses, claims, damages, liabilities, cost and expenses, including reasonable attorneys' fees, arising directly from any negligence, fraud, bad faith, recklessness or wilful misconduct on the part of a Sub-Administrator Indemnified Party in the performance or non-performance of the Sub-Administrator's duties under the Sub-Administration Agreement.

The Administrator receives a monthly fee pursuant to the Administration Agreement for the provision of administrative and/or other services. Certain reasonable out-of-pocket expenses of the Administrator may also be charged in accordance with the Administration Agreement.

The Administration Agreement may generally be terminated without penalty by any party on each third anniversary of the Administration Agreement subject to 90 days' notice, except that it may be terminated at any time in certain circumstances. The Sub-Administration Agreement may generally be terminated without penalty by any party or each third anniversary of the Sub-Administration Agreement subject to 90 days' notice, except that it may be terminated at any time in certain circumstances.

The Administrator may subcontract with agents, including the Sub-Administrator, selected by it in good faith for administrative and certain other services. The fees of the Sub-Administrator and any other such agents are paid by the Administrator.

A current register of the names and addresses of each of the Issuer's and the Master Fund's shareholders and their shareholdings is maintained at and may be inspected, normally during ordinary office hours, at the registered office of the Administrator. The Administrator will act as administrator, company secretary and registrar in respect of the Issuer and the Master Fund.

THE TRANSFER AGENT

Pursuant to a global stock transfer agency agreement among the Administrator, the Issuer and the Bank of New York to be entered into on the Closing Date of the global offering (the "Transfer Agent Agreement"), The Bank of New York has been appointed to act as transfer agent, sub-registrar and U.S. paying agent (in such capacities, the "Transfer Agent") for the purpose of issuing Shares and registering transfers of the Shares. Pursuant to the Transfer Agent Agreement, registrar functions have been delegated from the Administrator to the Transfer Agent.

PART III—THE COMPANY'S INVESTMENTS AND THEIR CHARACTERISTICS

Although the Company's investment objective allows it to invest in a broad range of investments, the Company currently invests primarily in CDOs holding interests in broadly syndicated senior secured loans in the U.S. and Europe, middle market senior secured loans in the U.S., CDOs squared and asset-backed securities and other structured finance. Below is an overview of the CDO global market and the types of assets in which the Company currently invests and certain assets the Company may invest in the future.

Global CDO Market Overview

First issued in the late 1980s, CDOs have emerged as a fast-growing sector of the asset-backed securities market. Global CDO issuance grew from $157.4 billion in 2004 to $249.3 billion in 2005 to $488.6 billion in 2006. This growth reflects relatively strong corporate performance, a large supply of loans and the increasing appeal of CDOs for a growing number of asset managers and investors (which now include insurance companies, mutual fund companies, unit trusts, investment trusts, commercial banks, investment banks, pension fund managers, private banking organizations and structured investment vehicles) along with the flexibility provided by synthetic structures (described below).

Synthetic structures have allowed CDO arrangers to ramp up deals much faster, and with a wider and much more readily available array of collateral choices. In fact, CDO issuance has outpaced the rate at which some of the most popular underlying assets, such as home equity loans, have come to market. Cash flow and hybrid CDOs (described below) composed over 80% of issuance in 2006, with issuances of $393.0 billion. Global CDO issuances totalled $488.5 billion. U.S. Dollar denominated CDOs comprised over 79% of global issuance in 2006, with issuances of $386.3 billion.

Overview of CDOs

Typical Transaction Structures

CDOs are created by aggregating a group of underlying assets into a pool and transferring their ownership to an SPV. The SPV then issues tranched securities ("Collateralized Securities") representing claims to different streams of income generated by the underlying assets. Most CDOs are actively managed by an independent asset manager. CDOs may be invested in a broad range of asset classes or, alternatively, fewer and more concentrated asset classes.

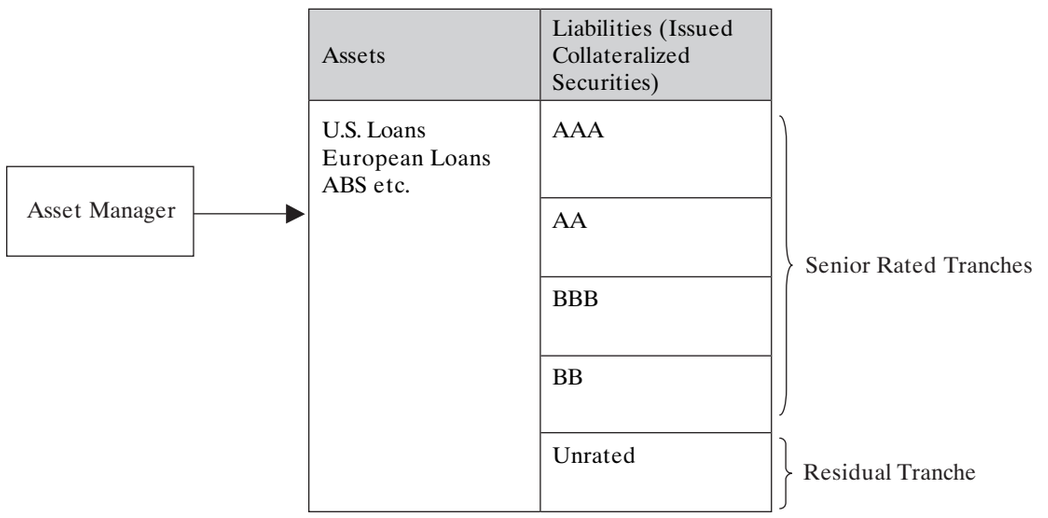
The SPV divides the securities it issues into tranches based on repayment priority. The tranches with the most senior priority ("Rated Tranches") are generally assigned ratings by one or more rating agencies, such as Moody's Investors Service, Standard & Poor's and Fitch Ratings Ltd. These ratings range from investment grade down to non-investment grade. The Residual Tranches are generally the most junior tranches and do not receive a rating. In order for the Rated Tranches to qualify for a rating, the rating agencies impose eligibility criteria on CDO investments, and, other than in the case of "market value" CDOs (as described below), place restrictions on the asset manager's ability to trade CDO investments and also impose certain portfolio-wide requirements. Rated Tranches are also usually more liquid than Residual Tranches.

CDOs are generally limited-recourse obligations of the SPV issuer, payable solely from the underlying assets of the issuer or proceeds thereof. Consequently, holders of CDOs must rely solely on distributions on the underlying assets or proceeds thereof for payment in respect thereof. The majority of CDOs have a "cash flow" structure, but a smaller portion of the CDO market consists of "market value" structures. A common feature in "cash flow" CDOs is that only the cash flows generated by the underlying assets are used to make payments to holders of the Collateralized Securities in sequential order of tranche priority. If the cash flows are insufficient to meet all immediate obligations at any time, payments are made in order of seniority. A common feature in "market value" CDOs that differs from "cash flow" CDOs is that the SPV issues liabilities based on an advance market value rate associated with each type of asset purchased. Payments to investors can come from cash flows and sales of collateral. Since payments are not contingent on cash flow alone, payments to the Residual Tranches are only suspended if the market value of the loans is insufficient. "Market value" CDO asset managers actively manage their CDOs and can adjust the composition and balance of the loans and collateral held by the CDO.

Distributions on Residual Tranches are generally made only after payment of interest on and principal of Rated Tranches. Although usually there is no interest or principal due on Residual Tranches, distributions may be made to holders of Residual Tranches on each payment date after all of the other required

payments are made on such payment date. There can be no assurance that after making such required payments in respect of the Rated Tranches there will be any remaining funds available to pay the Residual Tranche. In addition, most "cash flow" CDOs contain provisions that in the event that certain tests are not met (generally interest coverage and over-collateralization tests), proceeds that would otherwise ultimately be distributed to holders of the Residual Tranche will be diverted to pay down certain of the Rated Tranches until such tests are satisfied. The assets collateralizing "market value" CDOs are also often subject to liquidation upon the failure of certain tests, and any such liquidation could harm the related "market value" CDOs under certain circumstances.

Diagram of Cash CDO Structure



Interest payments on CDOs (other than the most senior tranche or tranches of a given issue) are generally subject to deferral. If distributions on the underlying assets of Securitization Vehicles (or, in the case of a "market value" CDO, proceeds from the sale of the those underlying assets) are insufficient to make payments on the CDO, no other assets will be available for payment of the deficiency and, following realization of the underlying assets, the obligations of the issuer of the related CDO to pay such deficiency will be extinguished. CDOs, particularly subordinated CDOs, may provide that, to the extent funds are not available to pay interest on certain designated Rated Tranches, such interest will be deferred or paid "in kind" and added to the outstanding principal balance of the Rated Tranche. That deferred or payment "in kind" feature does not usually apply to Residual Tranches. Generally, the failure by the issuer of a Collateralized Security to pay interest in cash does not constitute an event of default as long as a more senior class of securities of such issuer is outstanding and the holders of the securities that have failed to receive distributions in cash will not have available to them any associated default remedies.

CDOs also tend to be privately placed, so they may offer less liquidity than other investment-grade or high-yield corporate debt, and Residual Tranches tend to be the most illiquid class of Collateralized Securities. Reduced liquidity makes it hard to determine prices for Collateralized Securities, especially the lowest tranches, which in turn can lead to significant volatility.

Cash versus Synthetic and Other CDOs

In typical "cash" CDOs, the sponsor purchases the underlying assets, transfers them to the CDO's SPV and the asset manager manages them.

Synthetic CDOs use credit default swaps ("CDSs") to achieve credit-risk transfer without acquiring any underlying assets. CDSs are agreements where a "protection buyer" makes periodic payments to a "protection seller" in exchange for a contingent payment by the seller upon the occurrence of a "credit event", usually bankruptcy or default, happening to a specified Reference Entity in relation to one of its obligations (a "Reference Obligation"). Upon the occurrence of a credit event, the protection seller's obligation may be fulfilled by physical delivery of the Reference Obligation by the protection buyer or by cash settlement. Securitization Vehicles will have a contractual relationship only with the protection buyer (the "CDS Counterparty"), and not the Reference Entity obligated under the debt security or Reference

Obligation unless a credit event specified in the CDS agreement occurs and the CDS Counterparty settles the CDS by physical delivery of the Reference Obligation to the Securitization Vehicle. Prior to any such delivery, the Securitization Vehicle generally will not have any right directly to enforce compliance by the Reference Entity with the terms of the Reference Obligation or any rights of set-off against the Reference Entity, nor will the Securitization Vehicle generally have any voting or other rights of ownership with respect to the Reference Obligation. Prior to any such delivery, the Securitization Vehicle also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the CDS Counterparty, the Securitization Vehicle will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, the Securitization Vehicle will be subject to the credit risk of the CDS Counterparty, as well as that of the Reference Entity. As a result, concentrations of synthetic assets entered into with any one CDS Counterparty will subject such synthetic assets to an additional degree of risk with respect to defaults by such CDS Counterparty as well as by the respective Reference Entities.

CDOs Squared

A CDO squared is a type of collateralized debt obligation where the underlying portfolio includes tranches of other CDOs. A cash-backed CDO squared is a CDO backed by a collateral portfolio consisting of tranches of existing cash CDOs. A synthetic CDO squared involves a portfolio of CDSs and has a two-layer structure of credit risk. In most synthetic CDOs squared, the underlying CDSs are created for the sole purpose of being included in the CDO squared. Because of its synthetic nature, these underlying CDSs are simply conceptual and used to calculate cash flows and values of the CDO squared. Therefore, a synthetic CDO squared may be viewed as a complex derivative instrument, while its cash counterpart is simply a repackaging of existing CDOs.

CDO Underlying Asset Characteristics

Leveraged Loans—U.S. and Europe

Leveraged loans are private loans to companies that are made by banks or syndicates of lenders, generally arising from leveraged buyout and merger activity, and carry high interest because they are typically rated below investment grade. Loans and interests in loans are traded by banks and other institutional investors engaged in loan syndications, but rarely in organized exchange markets. Since loans are privately syndicated and customized, they can be more difficult to trade than public securities.

Leveraged loans are typically senior, secured obligations of the borrower. Leveraged loans are usually guaranteed by the subsidiaries of the borrower and secured by a lien against the assets of the borrower and its subsidiaries. These loans are typically priced at an interest rate spread above a floating reference rate such as LIBOR or EURIBOR. The spread will depend on the credit risk of the borrower, the size and term of the loan as well as general market conditions. Leveraged loans are generally callable at par, and sometimes may feature a prepayment penalty in the event of payment prior to final maturity. Agreements governing leveraged loans feature covenant packages that are stricter than those governing bonds, typically including financial maintenance covenants tested on a quarterly basis.

A non-investment grade loan or debt obligation or an interest in a non-investment grade loan is generally considered speculative in nature and may become a defaulted obligation for a variety of reasons. A defaulted obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted obligation. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted obligation. The liquidity for defaulted obligations may be limited, and to the extent that defaulted obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon.

Middle-Market Leveraged Loans

Middle-market leveraged loans are leveraged loans generally made to companies with revenues ranging from $200 million to $500 million. Due to their size, the markets for these loans are usually less liquid and of reduced depth relative to markets for the debt of larger, better-known companies.

Commercial and Residential Mortgage-Backed Securities

Mortgage-backed securities are debt obligations that represent claims to the cash flows from pools of mortgage loans. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool.

Mortgage-backed securities exhibit a variety of structures. The most basic types are pass-through participation certificates, which entitle the holder to a pro rata share of all principal and interest payments made on the pool of loan assets. More complicated mortgage-backed securities, known as collateralized mortgage obligations or mortgage derivatives, may be designed to protect investors from, or expose investors to, various types of risk. Mortgage-backed securities can be backed by mortgages on commercial property, commercial mortgage-backed securities ("CMBSs"), or by mortgages on residential property, residential mortgage-backed securities ("RMBSs").

CMBSs often lack standardized terms, have shorter maturities than RMBSs and require payment of all or substantially all of the principal only at maturity rather than regular amortization of principal. Additional risks may be presented by the type and use of a particular commercial property. Special risks are presented by hospitals, nursing homes, hospitality properties and certain other property types. Commercial property values and net operating income are subject to volatility, which may result in net operating income becoming insufficient to cover debt service on the related mortgage loan. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate. Furthermore, the net operating income from and value of any commercial property are subject to various risks, including changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; terrorist threats and attacks and social unrest and civil disturbances. The exercise of remedies and successful realization of liquidation proceeds relating to CMBSs may be highly dependent on the performance of the servicer or special servicer. There may be a limited number of special servicers available, particularly those that do not have conflicts of interest.

RMBSs are more susceptible to prepayment risks than other loans since they generally do not contain prepayment penalties so a reduction in interest rates will increase the prepayments on RMBSs, resulting in a reduction in yield to maturity for their holders.

Legal risks can also arise as a result of the procedures followed in connection with the origination or the servicing of the mortgage loans which may be subject to various federal and state laws, public policies and principles of equity which may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it or subject the servicer to damages and sanctions. Liability under some of these provisions could result in a disruption of cash flows allocated to the holders of RMBSs where either the SPV of such RMBS is liable in damages or is unable to enforce payment by the borrower. In most but not all cases, the amount recoverable against a purchaser or assignee under such assignee liability provisions is limited to amounts previously paid and still owed by the borrower. Sellers of residential mortgage loans typically represent that the loans have been originated in accordance with all applicable laws and in the event such representation is breached, the seller typically must repurchase the offending loan, but those protections are not always sufficient to insulate the CDO holding RMBS from legal risks.

Asset-Backed Securities

Asset-backed securities ("ABS") are debt obligations that represent claims to the cash flows from pools of financial debt assets other than mortgages (*e.g.*, credit card debt or accounts receivable). Assets get pooled to make otherwise minor and uneconomical investments worthwhile, while also reducing risk by diversifying the underlying assets. The securitization makes these assets available for investment to a broader set of investors. Typically, the securitized assets might be highly illiquid and private in nature. The structure of an ABS and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Certain ABSs (particularly subordinated ABSs) provide that the non-payment of interest in cash on such securities will not constitute an event of default in certain circumstances and the holders of such securities will not have available to them any associated default remedies. Interest not paid in cash can also often be capitalized

and added to the outstanding principal balance of the related security, which would reduce the yield on those ABSs.

ABSs enable the originators of the loans to enjoy most of the benefits of lending money without bearing the risks involved. The originators earn fees from originating the loans, as well as from continuing to serve the assets throughout their life.

Mezzanine Loans

Mezzanine loans are relatively large loans, typically unsecured or with a deeply subordinated security structure. Maturities usually exceed five years with the principal payable at the end of the loan term. Mezzanine loans generally have some amount of call protection, often in the form of a percentage redemption premium declining to zero over the first few years of loan (*e.g.*, 3% declining to zero over three years), thereafter allowing the borrower to pay back the principal without incurring a penalty. A standard mezzanine loan carries a detachable or a similar mechanism to allow the lender to share in the future success of the business. Mezzanine loans are frequently used in financing startup companies, leveraged buy-outs or recapitalizations, usually as part of a larger financing package. In those types of deals, the borrower usually incurs a substantially higher amount of indebtedness than the level at which they previously operated, which can increase the likelihood of default. Mezzanine loans can also provide that all or part of the interest accruing thereon will not be paid on a current basis but will be deferred.

High Yield Debt Securities

High yield debt securities are bonds with high yields that receive ratings below investment grade, and unlike leveraged loans, they are typically characterized by incurrence rather than financial maintenance covenants. They also typically have call protection, usually requiring payment of a "make-whole" premium for redemption during an initial period, and thereafter requiring payment of a percentage redemption premium declining to zero (*e.g.*, 150% of the coupon declining to zero after two years), after which the bonds become freely callable at par plus accrued interest. A high-yield debt security is generally unsecured and can be subordinated to other obligations of its issuer. They are often issued where the issuers incurs a substantially higher amount of indebtedness than the level at which they had previously operated.

Trust Preferred Securities

A trust preferred security is a security possessing characteristics of both equity and debt issuances, generally issued by insurance-related companies. A company creates trust preferred securities by creating a wholly-owned trust subsidiary and issuing debt to the new entity, while the trust issues the trust preferred securities. The trust will use the proceeds of the sale of its trust preferred securities and common securities to purchase corresponding debentures of its parent holding company. A trust's only source of cash to make payments on its trust preferred securities will be the payments it receives from its parent holding company on the corresponding debentures. A holding company will execute a limited guarantee in respect of the trust preferred securities issued by its subsidiary trust. However, the guarantee of a holding company, when taken together with its obligations under its corresponding debentures, the indenture relating to such corresponding debentures and the trust agreement creating its subsidiary trust, will provide a full and unconditional guarantee on a subordinated basis by such holding company of amounts due on the trust preferred securities of its subsidiary trust. In limited cases, the limited guarantee and a subordinated guarantee of the payment obligations of the holding company under its corresponding debentures may, instead, be executed by the parent of the holding company.

The subsidiaries of each holding company are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts under the corresponding debentures or guarantee, or to make any funds available therefor, whether by dividends, loans or other payments. Because each company that issues corresponding debentures is a holding company, its ability to make distributions on the corresponding debentures will be highly dependent upon the earnings of its subsidiaries. Accordingly, the holding company's corresponding debentures and guarantee will effectively be subordinated to all existing and future liabilities and preferred equity of the holding company's subsidiaries.

A default in the payment of principal of or premium, if any, or interest on, or a deferral in interest payments on, any corresponding debentures will decrease the amount of cash available to the Securitization Vehicle to make payments on the related Collateralized Securities.

For information regarding the composition of the Company's current investment portfolio, see "Part I—The Company's Business—The Company's Existing Portfolio".

PART IV—OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The overview of financial results below provides information which the Investment Manager believes is relevant to an assessment and understanding of the Issuer's and Master Fund's financial position and results of operations. The financial information in this section (with the exception of the monthly performance for class A and class C shares, which have been derived from the Company's accounting records, and the illustrative results for the class C shares) has been derived from the audited financial statements for each of the Issuer and the Master Fund for each of (i) the period from June 23, 2005 to December 31, 2005 and (ii) the year ended December 31, 2006. You should read this operating and financial review and prospects in conjunction with the Issuer's and Master Fund's consolidated financial statements and the related notes, which are included in Part IX—Audited Financial Information of the Company.

The following operating and financial review contains statements reflecting the Investment Manager's views about the Issuer's and Master Fund's future performance and constitutes "forward-looking statements" as described in "Special Note Regarding Forward-Looking Statements". These views may involve risks and uncertainties that are difficult to predict and that may cause the Issuer's and Master Fund's actual results to differ materially from the results discussed in such forward-looking statements. Various factors, including changes in general economic conditions, developments in the CDO market, interest rate and currency fluctuations, and other factors discussed in "Risk Factors", may affect the Issuer's and Master Fund's performance. The Issuer and the Master Fund undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, save to the extent it is required to do so under applicable law or regulation.

The Issuer and the Master Fund have prepared their financial statements in accordance with U.S. GAAP, which differs in certain respects from International Financial Reporting Standards ("IFRS"). See "Part XI—Reconciliation of December 31, 2005 Net Assets and Results of Operations Between U.S. GAAP and IFRS and Description of Certain Differences Between U.S. GAAP and IFRS".

Overview

The Issuer is a Guernsey investment company that currently invests in selected securitized asset classes and aims to provide stable returns to investors across various interest rate and credit cycles. The Company's investment objective is to generate distributable income and capital appreciation. The Investment Manager currently seeks to accomplish this objective by (i) selecting target asset classes it believes to be attractive based on the nature of their return characteristics, (ii) selecting asset managers it believes to be superior, (iii) leveraging the structuring expertise of its Company's principals and (iv) overlaying portfolio-based and single-name hedges on the portfolio. The Company targets a total annual percentage return (dividends plus NAV appreciation) in the low to mid teens. From inception through February 28, 2007, the Master Fund has funded $835 million of investments (valued at the carrying cost).

As shown in the organizational structure chart on page 5 of this prospectus, each of the Issuer and the U.S. Feeder Fund invests all its capital in the Master Fund. The Master Fund holds all the underlying investment assets, undertakes all hedging activities and incurs all costs relating to the running of the investment portfolio. The Issuer's financial statements reflect its share of the results of the Master Fund, which are allocated each month between the two feeder fund entities in proportion to the capital invested. At December 31, 2005 and 2006, 37% and 81%, respectively, of the capital of the Master Fund represented capital of the Issuer invested in the Master Fund. Accordingly, except as otherwise stated, the discussion below relates both to the Issuer and the Master Fund.

The Issuer and Master Fund commenced business in August 2005, and the Master Fund has grown its assets under management from $78 million as of August 1, 2005 to $606.1 million as of December 31, 2006.

The Issuer and the Master Fund will be converted into closed-ended investment companies immediately prior to the closing of the global offering.

Historical results from operations

As an open-ended fund which has not historically distributed dividends, the key historical performance metric for investors has been the growth in NAV.

When the Company was launched in August 2005 there were two share classes, class A shares, which pay a 2% management fee and an incentive fee of 20% of NAV growth, and class B shares, which do not pay

fees. In July 2006, class C shares were introduced, which pay a 1.5% management fee and an incentive fee of 25% of NAV growth over a hurdle rate of 8%.

The table below shows the monthly performance for the Class A and Class C shares.

Class A Shares[(1)]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2005								0.29%	0.48%	0.72%	1.00%	1.04%	**3.57%**
2006	1.23%	1.10%	1.33%	1.27%	1.11%	1.04%	1.01%	0.98%	0.88%	0.88%	1.11%	1.15%	**13.92%**
2007	1.20%	1.04%											**2.25%**
												Class A Inception to Date	**20.63%**

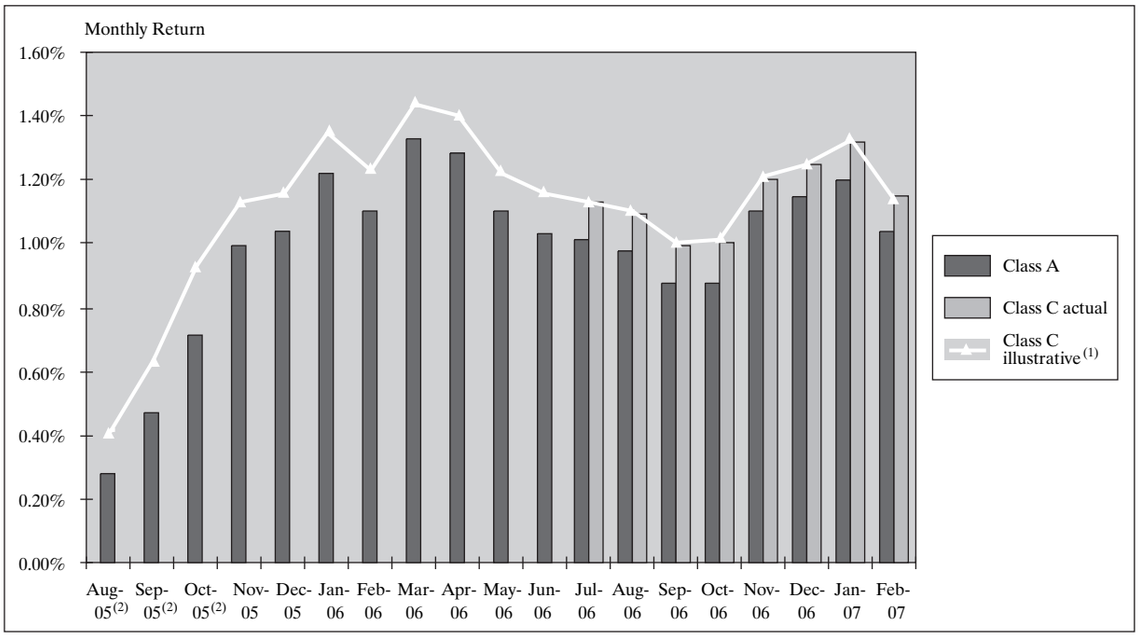
Class C Shares[(1)]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2006							1.13%	1.10%	1.00%	1.01%	1.21%	1.25%	**6.89%**
2007	1.32%	1.15%											**2.49%**
												Class C Inception to Date	**9.55%**

(1) Source: Kleinwort Benson.

Monthly performance of both share classes is based on a net asset valuation as determined in accordance with the offering memorandum constituting the scheme particulars of the Issuer at a particular time.

On the Closing Date, the three share classes will be redesignated and converted into a single class of non-voting Shares which will have fee characteristics similar to class C shares, except that the incentive fee will be measured based on a reference NAV equal to the higher of the most recent quarter-end NAV per Share and the previous quarter-end NAV per share, and the hurdle rate will become a floating rate commencing on the one-year anniversary of the Closing Date. See "Part II—The Company's Management—Fees and Expenses". To assist investors in evaluating the historical performance of the Issuer, the Investment Manager has recalculated the monthly performance as if only class C shares existed throughout the life of the Issuer. The basis for this calculation is described in more detail on page 52. The following chart shows the actual monthly results for class A and class C shares and the illustrative results for class C shares as if that class had been in place since the launch of the Company.



(1) Class C illustrative return figures are net of (a) management fees of 1.5% of the NAV per annum, (b) incentive fees of 25% of the increase in the NAV over a hurdle rate of 8% per annum and (c) expenses, and reflect an investment in the Issuer since inception without additions, withdrawals or redemptions. All return figures are the values as calculated by the Administrator and are unaudited. Past performance is not necessarily indicative of future results. In addition, the allocation of assets and composition of the portfolio shown above is subject to change and is not necessarily indicative of the future.

(2) Ramp-up period.

The graph above shows the illustrative results for the class C shares as if only these shares and their applicable management and incentive fee structure has existed since the inception of the fund. Had this fee structure been in place since inception, the results of the Issuer and the Master Fund may have been different.

The illustrative performance for class C shares for full-year 2006 was 15.49%. The monthly profile highlights the importance of being fully invested in target underlying assets. In the first three months of operation from August 2005 to October 2005, the initial capital was being invested into CDO equity positions. Consequently, leverage (defined as CDO investments at carrying cost as a percentage of net assets (based on NAV)) in the Master Fund was less than 1.00x during that three-month period and the monthly return on the Issuer's shares was 1%. By the end of the first quarter of 2006, investors' capital had been fully invested, resulting in a rise in leverage to 1.5x and a rise in monthly performance to above 1.1%. Monthly performance stayed above that level until the end of the third quarter of 2006, when new capital inflows resulted in a short-term drop in leverage to 1.1x and a corresponding fall in monthly performance to 1%. The Company expects that the Master Fund may similarly experience a short-term drop in leverage and monthly performance during late first quarter and early second quarter 2007 as a result of capital inflows, including the proceeds of the global offering.

Summary Financial Results

The following table sets forth a summary of the results from operations for the Issuer and the Master Fund for (i) the period from June 23, 2005 to December 31, 2005 and (ii) the full year ended December 31, 2006. The Issuer was allocated 30% of the net increase in net assets resulting from operations in 2005 and 70% of such net increase in 2006, based on the capital invested in the Master Fund in each period.

Issuer Results of Operations

U.S. GAAP

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
	(U.S. Dollars)	
Profit and Loss Data		
Direct investment income		
Interest income	$ —	$ 5,641
Direct investment income	$ —	$ 5,641
Investment income allocated from the Master Fund		
Interest income	$ 1,820,668	$ 39,196,748
Investment income allocated from the Master Fund	$ 1,820,668	$ 39,196,748
Total investment income	$ 1,820,668	$ 39,202,389
Direct expenses		
Management fees	$ —	$ (3,272,863)
Incentive fee (relates only to class A and class C shares)	(236,063)	(5,600,924)
Custodian fees	—	(45,134)
Audit fees	—	(12,600)
Directors' fees	—	(56,213)
Other operating expenses	—	(3,322)
Direct expenses	$ (236,063)	$ (8,991,056)
Operating expenses allocated from the Master Fund		
Management fees	$ (224,013)	$ (796,943)
Administration fees	(43,030)	(301,802)
Custodian fees	(12,232)	—
Legal and professional fees	(43,920)	(117,089)
Audit fees	(53,774)	(86,374)
Directors' fees	(17,376)	(39,609)
Organizational costs	(479,595)	—
Other operating expenses	(820)	(32,806)
Interest expense	(194,825)	(4,896,718)
Operating expenses allocated from the Master Fund	$ (1,069,585)	$ (6,271,341)
Total operating expenses	$ (1,305,648)	$(15,262,397)
Net investment income	$ 515,020	$ 23,939,992
Net realized gain/(loss) from:		
Investments	$ 13,444	$ —
Foreign currency transactions	341,105	(865,113)
Credit default swaps	—	(262,318)
	$ 354,549	$ (1,127,431)
Net increase/(decrease) in unrealized appreciation/(depreciation) on:		
Investments	$ (360,240)	$ (15,057)
Forward foreign exchange contracts	(25,615)	(1,730,924)
Credit default swaps	—	(1,036,477)
Translation of assets and liabilities in foreign currencies	54,745	3,774,233
	$ (331,110)	$ 991,775
Net realized and unrealized gain/(loss) from investments and foreign currencies allocated from the Master Fund	$ 23,439	$ (135,656)
Net increase in net assets resulting from operations	$ 538,459	$ 23,804,336

Master Fund Results of Operations

U.S. GAAP

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
	(U.S. Dollars)	
Interest income	$ 5,417,245	$ 56,244,498
Investment income	$ 5,417,245	$ 56,244,498
Management fees	$ (666,534)	$ (1,143,555)
Administration fees	(128,032)	(433,064)
Custodian fees	(36,394)	—
Legal and professional fees	(130,680)	(168,014)
Audit fees	(160,000)	(123,941)
Directors' fees	(51,700)	(56,836)
Organizational costs	(1,334,084)	—
Other operating expenses	(2,440)	(47,075)
Interest expense	(579,684)	(7,026,436)
Operating expenses	$ (3,089,548)	$ (8,998,921)
Net investment income	$ 2,327,697	$ 47,245,577
Realized and unrealized gain/(loss) from investments and foreign currency		
Net realized gain/(loss) from:		
Investments	$ 40,000	$ —
Foreign currency transactions	1,014,930	(1,241,375)
Credit defaults swaps	—	(376,407)
	$ 1,054,930	$ (1,617,782)
Net increase/(decrease) in unrealized appreciation/(depreciation) on:		
Investments	$ —	$ (21,605)
Forward foreign exchange contracts	(76,216)	(2,483,750)
Credit default swaps	—	(1,487,269)
Translation of assets and liabilities in foreign currencies	(908,975)	5,415,750
	$ (985,191)	$ 1,423,126
Net realized and unrealized gain/(loss) from investments and foreign currencies	$ 69,739	$ (194,656)
Net increase in net assets resulting from operations	$ 2,397,436	$ 47,050,921

Recognition of Investment Income by Reference to Expected IRR

Investment income from each of the Master Fund's investments is determined by reference to an Expected IRR, which is in turn determined by a financial model. For each Securitization Vehicle in which the Issuer invests, a third-party valuation model is used by the Investment Manager and Administrator in order to project performance ("Expected IRR") for such Securitization Vehicle. The model contains characteristics of the Securitization Vehicle structure, and key model inputs include asset spreads, expected defaults and expected recovery rates for the relevant category of underlying collateral held in the Securitization Vehicle, based on historical data from a variety of market sources. Expected default rate inputs are based upon historical 40-year bond default data provided by Moody's, which we believe may be conservative. The Expected IRR of each Securitization Vehicle is accrued as investment income in each accounting period, regardless of the amount of cash payments received from the Securitization Vehicle during such period. If payments in excess of Expected IRR are received from the Securitization Vehicle during a period, the excess is recorded as a repayment of principal of such Securitization Vehicle. If payments received from a Securitization Vehicle during a period are less than Expected IRR, the resulting shortfall is recorded as an increase in principal of the Securitization Vehicle. If, over the lifetime of a Securitization Vehicle, default

and recovery rates diverge materially from the historical rates used as model inputs, the model assumptions will be adjusted accordingly to produce a new Expected IRR and the value of the Securitization Vehicle will be adjusted on the Master Fund's balance sheet. Any investment income from such Securitization Vehicle following such model adjustment would be determined by reference to such new Expected IRR.

Comparison of Results of Operations of the Year Ended 2006 to the Period from June 23, 2005 to December 31, 2005

Investment Income

For the periods presented, the primary source of investment income earned by the Master Fund and in turn allocated to the Issuer and the U.S. Feeder Fund is interest income accrued on the investments of the Master Fund. During 2005 and 2006, the investments of the Master Fund consisted almost entirely of the Residual Tranches of CDOs invested in secured leveraged loans.

The Master Fund currently invests mainly in cash flow CDOs. Over the life of each CDO, the Master Fund is expected to receive its share of the residual cash flows from Securitization Vehicles after all expenses and interest charges have been paid. The Securitization Vehicles receive cash flows from payments of interest and principal on the underlying assets. Typically the underlying assets pay interest on a quarterly or semi annual basis.

Cash received by Securitization Vehicles may reflect payments of interest, principal or a combination of the two on the underlying assets. Payments received by the Master Fund will be recognized as interest income up to the amount of Expected IRR, regardless of whether such payments are ultimately attributable to interest or principal on the underlying assets. For a more detailed explanation of how the Expected IRR's are derived please refer to "Part I—The Company's Business—Valuation" and "—Critical Accounting Policies—Investments in Securities, Held at Fair Value".

Interest income of the Master Fund for the year ended December 31, 2006 was $56.2 million, increasing from $5.4 million for the period from June 23, 2005 to December 31, 2005. The increase reflects four key drivers:

- The Master Fund did not start operations until August 1, 2005, whereas 2006 reflects a full year.
- The carrying cost of investments in Securitization Vehicles rose from $117.7 million at the end of 2005 to $747 million by the end of 2006, of which $20.8 million related to the cost of open warehouse positions. The average cost invested during 2006, based on quarter end values, was $335 million. As 2005 was a short, start-up period, a comparison of average invested balances is not meaningful. The Master Fund generated lower relative returns during the August through October 2005 ramp-up period, as a greater percentage of its assets were invested in low-yielding cash instruments rather than CDO investments. The Master Fund similarly experienced lower relative returns during the third quarter of 2006 as a result of new capital inflows.
- In 2006 the number of Securitization Vehicles in which the Master Fund invested increased from 9 to 39. The average IRR per Securitization Vehicle held by the Master Fund at December 31, 2006 stayed stable, with only a slight change from 16.02% at the end of 2005 to 16.1% at the end of 2006.
- During 2006, the Master Fund participated in warehousing loan facilities in which it funds a specified amount of the equity of a proposed Securitization Vehicle, in return for which it receives a "warehousing" fee from the underwriting bank providing the warehousing loan facility. This fee represents the net interest income after financing charges earned by the CDO manager on collateral purchased in anticipation of the creation of a CDO. This was a new category of activity in 2006 and generated $3.2 million of investment income during the year.

As part of the liquidity management of the Master Fund, a substantial portion (19.44% at December 31, 2006) of the Master Fund's assets are held in cash deposits. Typically these are placed on short term deposit with high credit quality financial institutions. Interest earned on cash deposits grew from $0.5 million during the period to $3.63 million during 2006.

Operating expenses

For the period from June 23, 2005 to December 31, 2005, all fees and expenses other than incentive fees (which were paid directly by the Issuer) were paid by the Master Fund and in turn a portion of such fees and expenses were allocated to the Issuer in accordance with the Issuer's percentage ownership in the Master Fund.

For the year ended December 31, 2006, all fees and expenses other than incentive fees (which were paid directly by the Issuer) for the period up until the establishment of the Class C shares on July 1, 2006 were paid by the Master Fund and in turn a portion of such fees and expenses were allocated to the Issuer. For the period following the establishment of the Class C shares, certain fees and expenses in addition to incentive fees were paid directly by the Issuer, including management fees, custodian fees, audit fees, directors' fees and other operating expenses. Administration fees and interest expense for that portion of 2006 following the establishment of the Class C shares continued to be paid directly by the Master Fund and allocated to the Issuer.

For the portion of 2007 up until the closing of the global offering, the allocation of fees and expenses between the Issuer and the Master Fund will be similar to such allocation for the portion of 2006 following the establishment of the Class C shares. After the closing of the global offering, all fees and expenses other than incentive fees (which will be paid directly by the Issuer) will be paid by the Master Fund and in turn a portion of such fees and expenses will be allocated to the Issuer.

Below is a table showing total investment income and total expenses of the Issuer for the period from June 23, 2005 to December 31, 2005 and the year ended December 31, 2006, including direct expenses and expenses allocated from the Master Fund.

	Period from June 23, 2005 to December 31, 2005	% of Revenue	Year ended December 31, 2006	% of Revenue
	(U.S. Dollars)			
Total Investment Income	$ 1,820,668	100.0%	$ 39,202,389	100.0%
Management fees	(224,013)	12.3%	(4,069,806)	10.4%
Incentive fee (relates only to class A and class C shares)	(236,063)	13.0%	(5,600,924)	14.3%
Administration fees	(43,030)	2.4%	(301,802)	1.0%
Custodian fees	(12,232)	0.7%	(45,134)	0.1%
Legal and professional fees	(43,920)	2.4%	(117,089)	0.3%
Audit fees	(53,774)	3.0%	(98,974)	0.3%
Directors' fees	(17,376)	1.0%	(95,822)	0.2%
Organizational costs	(479,595)	26.5%	—	—
Other operating expenses	(820)	—	(36,128)	0.1%
Interest expense	(194,825)	10.7%	(4,896,718)	12.5%
Operating expenses	(1,305,648)	71.7%	(15,262,397)	39.0%
Net Investment Income	$ 515,020	28.3%	$ 23,939,992	61.1%

Approximately one quarter of the expenses were variable in line with funds under management, with the remainder being fixed (not fluctuating according to the size of the funds under management or other measure of size, *e.g.*, the audit fee which is generally agreed and fixed at the start of the year) or semi-variable (likely to vary but not in direct proportion to the funds under management *e.g.,* legal expenses).

Management fees

Under the provisions of the Principal Management Agreement, the Master Fund pays a monthly management fee equivalent to 2% of the NAV of the Class A Investors and 1.5% of the NAV of the Class C Investors of the Issuer and the U.S. Feeder Fund at the start of the month. The management fees for 2005 related only to Class A shares and Class A U.S. Feeder Fund partnership interests, which paid a management fee of 2% on net assets. In July 2006, Class C shares were introduced which pay a management fee of 1.5%. Therefore, the management fee for 2006, while higher due to the growth in NAV, reflects a lower average rate of NAV. That said, given that Class C shareholders only existed from

July 2006 and that they only represented 10.6% of total net assets by the end of 2006, there was little reduction in the composite management fee rate during the year. On a fully allocated basis, management fees went from 12.3% of total investment income in 2005 to 10.4% in 2006.

Incentive Fees

Incentive fees are paid at the Issuer (feeder fund) level only. For the class A shares, incentive fees are equal to 20% of the increase in the NAV per class A share during a calculation period above a reference NAV per share equal to the highest NAV per share at the end of any prior calculation period. For the class C shares, incentive fees are equal to 25% of the increase in the NAV per class C share during a calculation period above the reference NAV of that share plus an 8% hurdle. On a fully allocated basis as a percentage of total investment income incentive fees increased from 13.0% in 2005 to 14.3% in 2006. On a per share basis this represented 3.84% for class A shareholders and 0.97% for class C shareholders in 2006.

Administration fees

The costs of the Administrator and Sub-Administrator are a combination of fixed fees for certain services, such as the production of financial statements, and fees calculated by reference to a sliding scale of charges, which are subject to a minimum fee level. These fees are calculated on the opening capital under management each month and are paid monthly in advance. In 2005 and throughout 2006, the Master Fund paid the minimum fee per month of $27,000 for fund accounting services. From February 1, 2007 sliding scale charges came into effect for the fund accounting function, as a result of which these charges are expected to scale in proportion to net assets.

Custodian fees.

Guernsey regulations require that open-ended funds appoint a local Custodian. Kleinwort Benson (Channel Islands) Fund Services Limited is the Custodian. The Custodian's fee is a calculate by reference to sliding scale, and is subject to a minimum charge. In 2005 the fee was the minimum charge. In 2006 the fee was greater than the minimum charge and the fee increased by 24% (aggregated for fees charged to the Master Fund and the Issuer) as a result. In 2006, the Custodian fees as a percentage of revenue of the Issuer equalled 0.1%, compared to 0.7% in 2005. It should be noted that in 2006 the fee was charged directly to the Issuer, whereas in 2005 it was charged to the Master Fund and allocated to the Issuer. Following the global offering, the Issuer, as a closed-ended fund, will no longer be required to have a local custodian, and the custodian agreement with the Custodian will be terminated.

Legal and Professional fees

Legal fees which are incurred directly in support of the Master Fund's business are paid directly by the Master Fund. These fees have been primarily for legal work associated with the negotiation of transaction documents, including documents relating to financing arrangements. In 2006 the legal fees incurred at the Master Fund increased by 29% over 2005. In 2006, on a fully allocated basis, legal and professional fees as a percentage of revenue of the Issuer equalled 0.3%, compared to 2.4% in 2005. With the anticipated growth in capital under management in 2007, both before and after the Closing Date, and the resultant increase in the number of investments, it is anticipated that legal fees will continue to increase.

Audit fees

The financial statements of the Master Fund and the Issuer will continue to be subject to an audit by a major independent accountancy firm. The costs of the audits in the future will be incurred by the Master Fund and allocated pro rata between the feeder funds.

Directors' fees.

In 2005 and 2006, each of the directors of the Master Fund and the Issuer received annual fees of £7,500 for each directorship. David Wishnow and Paddy Dear have waived their entitlement to those fees. Consequently the directors' fees reflect the fees of the four Independent Directors. On an annualized basis, the fees have stayed static year on year, but as they are paid in pounds, there is a movement in the U.S. Dollar expense due to exchange rate fluctuations.

Organizational Costs

In 2005, the Master Fund incurred $1.33 million of organizational or set-up costs, including legal and technology costs. These were fully expensed during the year within the financial statements as required by U.S. GAAP and allocated to the feeder funds. The Issuer was allocated $479,595 based on the percentage of net assets owned by the Issuer at each month end. For the purposes of calculating monthly net asset value performance for purposes of determining management and incentive fees (the "NAV"), in accordance with the scheme particulars applicable to the Master Fund under Guernsey law, the organizational costs are being amortized over a 36-month period. Consequently, there was a difference between the increase in net asset value between the 2005 financial statements of the Master Fund and the "dealing NAV" reported by the administrator of $1.1 million. As at December 31, 2006 this difference was $0.7 million.

Interest expense.

Interest expense, at $7 million, was the single largest operating expense of the Master Fund in 2006, $4.9 million of which was allocated to the Issuer. The entire cost of financing the portfolio was paid by the Master Fund and allocated on a monthly basis to the feeder funds based on their share of capital. Interest expense reflects the cost of financing the activities of the Master Fund, not the financing costs embedded in the Securitization Vehicles. The Master Fund's portfolio is financed through three main sources: repurchase agreement financing with Morgan Stanley, repurchase agreement financing with Lehman Brothers and a total return swap with Deutsche Bank. Each of the financing sources costs approximately 85 to 90 basis points over three month LIBOR. The average interest rate payable during 2006 was 6%, compared to 4.7% in 2005.

Realized and unrealized gains/(losses)

The Master Fund enters into hedging transactions as part of the Investment Manager's risk management process. The key hedging tools are credit default swaps, which are used to reduce exposure to particular underlying credits where there is a concentration of risk across the portfolio, and foreign exchange transactions, which are used to hedge foreign exchange risk on both the initial consideration paid for non U.S. Dollar assets, and to partially hedge out expected future cash flows in currencies other than U.S. Dollars. In 2006 realised and unrealised losses totaling $1.9 million were incurred on credit default swaps. There were no gains or losses on CDS contracts in 2005.

Within the Master Fund, net foreign exchange gains of $29,739 were recorded in 2005 and $1.7 million in 2006. The Issuer was allocated 70% of the gains in 2006, in line with its share of capital in the Master Fund.

In accordance with EITF 99-20, when an IRR is adjusted, resulting in a life to date adjustment of recognized income, either upwards or downwards, any financial adjustment is recognized as a net gain or loss on investments. In 2006 there was a small net loss of $21,605 compared with no gain or loss in 2005.

Net Assets Under Management of Master Fund

Net assets of the Master Fund at February 28, 2007 were $788 million. The following table shows the net assets of the Master Fund at February 28, 2007 after giving effect to all subscriptions, redemptions and contingent redemptions that are scheduled to close prior to completion of the global offering.

	($ millions)
Net assets of the Master Fund at February 28, 2007	$ 788
Net subscriptions, redemptions and contingent redemptions to Closing Date	$ 149
Net assets of the Master Fund at February 28, 2007 after giving effect to subscriptions, redemptions and contingent redemptions to Closing Date	$ 937

Liquidity and Capital Resources

The following table shows the statement of cash flows for the Master Fund.

Statement of Cash Flows of the Master Fund

	Period from June 23, 2005 to December 31, 2005	Year ended December 31, 2006
	(U.S. Dollars)	
Operating and investing activities		
Net increase in net assets resulting from operations	$ 2,397,436	47,050,921
Adjustments for:		
Realized gain on investments	$ (40,000)	—
Non cash interest income on investments	(5,117,528)	(26,650,204)
Unrealized (gains)/losses	985,191	(1,423,126)
Operating cash flows before movements in working capital	$ (1,774,901)	18,977,591
Increase in receivables	$ (128,070)	(415,721)
Increase in payables	941,291	1,680,051
Cash flows from operations	$ (961,680)	20,241,921
Proceeds from sale of investments	$ 2,000,000	—
Proceeds from repayments on investments	—	59,760,818
Purchase of investments	(119,529,201)	(665,647,638)
Cash outflows from operating and investing activities	(118,490,881)	(585,644,899)
Financing activities		
Proceeds from issue of redeemable preference shares	$ 83,000,000	478,285,135
Payments on redemption of redeemable preference shares	—	(4,610,252)
Receipts from repurchase and swap agreements	71,177,250	194,118,711
Cash inflows from financing activities	$154,177,250	667,793,594
Net increase/(decrease) in cash and cash equivalents	$ 35,686,369	82,148,695
Cash and cash equivalents at beginning of year/period	—	35,686,369
Effect of exchange rate fluctuations on cash and cash equivalents	—	24,371
Cash and cash equivalents at end of year/period	$ 35,686,369	117,859,435

Sources of financing for the Master Fund

As all of the underlying CDO investments are held by the Master Fund, the financing of the portfolio is also undertaken in the Master Fund. Consequently the following comments relate to the Master Fund. The Issuer is allocated its share of the financing costs as described above. The Master Fund maintains access to a broad array of capital resources in an effort to insulate its business from potential fluctuations in the availability of capital, and the Master Fund may borrow funds or engage in other debt financings with other brokerage firms, banks and other institutions or in other markets in order to increase the amount of capital available for investment. In addition, the Master Fund may in effect borrow funds through entering into repurchase agreements, and may "leverage" its investment return (*i.e.*, use financial instruments in order to gain greater exposure to an investment, thereby increasing the potential rate of return) with options, commodity futures contracts, swaps, forward contracts and other derivative instruments. The Master Fund does not have a predetermined target debt to equity ratio as the Investment Manager believes that the appropriate leverage for the particular assets that the Master Fund is financing depends on the nature and credit quality of those assets. As at December 31, 2006 the Master Fund had $267 million in outstanding indebtedness (consisting of liabilities under repurchase and swap agreements and the Prime Brokerage Agreement) and its debt to equity ratio (calculated by dividing liabilities under repurchase and swap agreements by net assets) was 0.44 to 1 or 30% of gross assets (on an unaudited basis).

The Master Fund has five sources of financing currently in place, each of which has similar characteristics. Each facility enables the Master Fund to obtain cost competitive, leveraged finance with a major institution on terms which, if terminated, would give ample notice to enable the Investment Manager to replace the facility with funds from an alternative source. All the current facilities have at least a six-month notice period.

All the current providers of finance accept the CDO positions held by the Master Fund as collateral against which financing is provided. The CDO positions are valued (marked to market) daily and financing levels are adjusted based on the new market values.

The five financing sources currently in place are:

- The Prime Brokerage Agreement with Morgan Stanley International Limited, under which the Master Fund receives margin finance. Morgan Stanley also provides repurchase financing under the terms of a global master repurchase agreement (“GMRA”), and the Master Fund has ISDA agreements in place with Morgan Stanley International Limited and Morgan Stanley Capital Services.
- Repurchase financing provided by Lehman Brothers, also governed by a GMRA.
- Total return swaps with Deutsche Bank governed by ISDA documentation.
- A further GMRA and a further ISDA with UBS.
- A further GMRA with JPMorgan Chase Bank.

Currently, the Master Fund uses the Morgan Stanley, Lehman Brothers and Deutsche Bank facilities as its source of financing.

In addition, the Master Fund has agreed terms to a further GMRA with Bear Stearns. In March 2007 the Investment Manager was negotiating two other similar facilities under similar commercial terms to the established facilities described above.

The Master Fund also has arrangements in place with each of Morgan Stanley and Deutsche Bank, each providing for $150 million in financing in connection with CDO assets that the Investment Manager has identified for potential investment by the Company. These arrangements have allowed the Investment Manager to be active in seeking commitments for new investments by the Company prior to the closing of the global offering and, whether or not the arrangements are utilized, should enable the Company to deploy the net proceeds of the global offering rapidly following the closing thereof. See “Part XII—Additional Information—Material Agreements—CDO Financing Agreements”.

The Investment Manager considers there to be significant capacity in the market to finance the activities of the Master Fund in a cost effective way and therefore it is unlikely that there will be a constraint on the business due to a lack of such financing.

Furthermore, the Investment Manager considers that the Master Fund is significantly protected if interest rates rise because the income earned on the underlying assets in the CDO vehicles is also based on floating interest rates.

The Investment Manager further believes that the existing and planned financing facilities described in this section provide more than sufficient financing capacity to support the planned growth in the volume of deals in which the Master Fund invests.

Critical Accounting Policies and Estimates and Assumptions

The financial statements of the Issuer and the Master Fund, set out in Part IX—Audited Financial Information of the Company, have been prepared in accordance with U.S. GAAP. Going forward, the Company will continue to report its results in conformity with U.S. GAAP. The principal accounting policies adopted are presented in the notes to the financial statements of the Issuer and the Master Fund set out in Part IX of this prospectus.

The application of the Issuer’s and the Master Fund’s accounting policies requires the Issuer and the Master Fund to make estimates and assumptions that can affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the accounts and reported amounts of profits and expenses during the relevant reporting period. The Issuer’s and the Master Fund’s critical accounting policies that are subject to significant estimates and assumptions are summarized below.

Investments in securities, held at fair value

The value of equity tranche investments in Securitization Vehicles is determined by reference to a third party valuation model that is used by both the Investment Manager and the Administrator. The model contains characteristics of the Securitization Vehicle structure, including current assets and liabilities and inception to date performance, based upon information derived by a specialist firm, from data sources such as the trustee reports. Key model inputs include asset spreads, expected defaults and expected recovery rates for the relevant category of underlying collateral held in the Securitization Vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator. The model is used to project performance ("Expected IRR") for each investment. As income is received from the Securitization Vehicle, only the Expected IRR is recognized as income and any difference is treated as an adjustment of principal.

The fair value calculations for the equity tranches that are held are sensitive to the key model inputs, in particular to defaults and recovery rates. The default and recovery rates assumptions are derived directly from the extensive historical data provided by rating agencies such as Moody's and Standard & Poors, and applied according to the quality and asset class mix of the underlying collateral. Expected default rate inputs are based upon historical 40-year bond default data provided by Moody's, which we believe may be conservative.

The initial model assumptions are reviewed on a regular basis with reference to both current and projected data from the ratings agencies and the main brokers operating in this market. In the case of a material shift in the actual rates away from historical levels then the model assumptions will be adjusted accordingly to produce a new Expected IRR and the fair value of the relevant asset will be adjusted on the balance sheet.

If, over the lifetime of an individual deal, defaults and recoveries diverge from their long term historical norms, then the actual returns may differ from the current levels projected by the model, which would impact the NAV of the Issuer and the Master Fund.

Derivatives

Derivatives are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing 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 derivative at initial recognition is the transaction price. Subsequent changes in the fair value of any derivative instrument are recognized immediately in the statement of operations.

Forward currency contracts

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

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

Repurchase agreements and reverse repurchase agreements

Securities sold subject to a simultaneous agreement to repurchase those securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income or interest expense, over the life of each agreement using the effective interest method.

Expenses

All expenses, including management fees, incentive fees, administration fees and prime broker fees, are recognized in the statement of operations on an accrual basis.

Principles of Consolidation

The Master Fund has determined that it does not have control over the significant operating, financial and investing decisions of the underlying CDO entities, or over the investment managers of the underlying CDO entities.

The Master Fund is the primary beneficiary of some CDO entities which are considered variable interest entities ("VIE"). As the Master Fund is accounting for its investments at fair value in accordance with the accounting guidance in the American Institute of Certified Public Accountants (the "AICPA") Audit and Accounting Guide, Investment Companies, consolidation of these entities is not required. The Master Fund does not consolidate any of the underlying CDO entities.

RECENT ACCOUNTING PRONOUNCEMENTS

U.S. GAAP

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The tax benefit recognized is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 is not expected to have a material impact on the financial statements of the Issuer or the Master Fund.

In February 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 155, "Accounting for Certain Hybrid Financial Instruments", which amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS 155 provides, among other things, that (i) for embedded derivatives which would otherwise be required to be bifurcated from their host contracts and accounted for at fair value in accordance with SFAS 133 an entity may make an irrevocable election, on an instrument-by-instrument basis, to measure the hybrid financial instrument at fair value in its entirety, with changes in fair value recognized in earnings and (ii) concentrations of credit risk in the form of subordination are not considered embedded derivatives.

SFAS 155 is effective for all financial instruments acquired, issued or subject to remeasurement after the beginning of an entity's first fiscal year that begins after September 15, 2006. Upon adoption, differences between the total carrying amount of the individual components of an existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument should be recognized as a cumulative effect adjustment to beginning retained earnings. Prior periods are not restated. The adoption of SFAS 155 is not expected to have a material impact the financial statements of the Issuer or the Master Fund.

In September 2006, the FASB cleared Statement of Position No. 71, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 71") for issuance. SOP 71 addresses whether the accounting principles of the Audit and Accounting Guide for Investment Companies may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. SOP 71 applies to the later of (i) reporting periods beginning on or after December 15, 2007 or (ii) the first permitted early adoption date of the FASB's proposed fair value option statement. The adoption of SOP 71 is not expected to have a material impact on the financial statements of the Issuer or the Master Fund.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after November 15, 2007. The adoption of

SFAS 157 is not expected to have a material impact on the financial statements of the Issuer or the Master Fund.

In February 2007, the FASB issued SFAS No.159, "The Fair Value Option for Financial Assets and Financial Liabilities". Under Statement 159, entities may elect to measure specified financial instruments and warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. The election, called the *fair value option,* will enable entities to achieve an offset accounting effect for changes in fair value of certain related assets and liabilities without having to apply complex hedge accounting provisions. Statement 159 is expected to expand the use of fair value measurement consistent with the Board of Director's long-term objectives for financial instruments. The Statement applies to all reporting entities, including not-for-profit organizations, and contains financial-statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election. Statement 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted. The adoption of SFAS 159 is not expected to have a material impact on the Company's financial statements.

PART V—MARKET INFORMATION

General

In 2000, the stock exchanges of Amsterdam, Brussels and Paris were combined into Euronext, the first pan-European stock exchange whose holding company, Euronext N.V., is a public limited liability company incorporated under Dutch law. Subsequently, in 2002, the stock exchange of Lisbon and the London International Financial Futures and Options Exchange (''LIFFE'') joined Euronext.

Access to Euronext is provided by Euronext Brussels S.A., Euronext Amsterdam N.V. (''Euronext Amsterdam''), Euronext Lisbon S.A. or Euronext Paris SA and, with respect to derivative trading, LIFFE, with each market being operated by a subsidiary of Euronext N.V.

Eurolist by Euronext Amsterdam

Prior to the global offering, there has not been a public market for the Shares. Application for the admission to listing of the Shares on Eurolist by Euronext Amsterdam will be made. It is expected that the Shares will be listed on Eurolist by Euronext Amsterdam and, as a result, will be subject to Dutch securities regulations and supervision by the relevant Dutch regulatory authorities.

Listing and Trading

The Issuer will apply for the admission to trading of all of the Shares on Eurolist by Euronext Amsterdam and for the listing of its Shares under the symbol ''TFG''. It is expected that admission of all of the Shares will become effective and that dealings in the Shares (except those in certificated form) will commence at 9:00 a.m. on or about the Listing Date on an ''as-if-and-when-issued-or-delivered'' basis, and that unconditional admission will become effective on the Settlement Date.

If closing of the global offering does not take place on the Settlement Date or at all, the global offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and all transactions in the Shares on Eurolist by Euronext Amsterdam will be cancelled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam N.V. does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the global offering or (the related) annulment of any transactions on Eurolist by Euronext Amsterdam.

Holdings through the Euroclear System

The settlement system (the ''Euroclear System'') operated by Euroclear Nederland *(Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.)* is the common settlement system used in respect of shares traded on Eurolist by Euronext Amsterdam. The Euroclear System facilitates the settlement of securities transactions through electronic book-entry transfer between its accountholders without the need to use share certificates or written instruments of transfer. Indirect access to the Euroclear System is available to other institutions which clear through or maintain a custodial relationship with an accountholder of Euroclear Nederland. Euroclear Nederland is subject to supervision by the AFM and the Netherlands Central Bank (*De Nederlandsche Bank N.V.*).

The Issuer's Articles of Association permit the holding of Shares under any transfer, settlement and clearing system approved by the Directors (which includes the Euroclear System).

Where Shares (except those in certificated form) are held through the book-entry system operated by Euroclear Nederland, Euroclear Nederland will under Guernsey law be the registered holder of those Shares. Accordingly, investors will under Guernsey law not have direct rights against the Issuer under the Articles of Association.

Set out below are the anticipated procedures for settlement and clearing, voting and receipt of dividends through the Euroclear System.

Settlement and clearing

As described under ''Part VI—The Offer—Payment, Delivery, Clearing and Settlement'' the Shares (except those in certificated form) will be entered into the collective deposit and giro deposit on the basis of the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*). Settlement for any Shares (except

those in certificated form) shall be made in accordance with normal settlement procedures applicable to equity securities and in accordance with the Articles of Association.

Attending general meetings and dividend entitlement

The Issuer expects that each investor who holds interests in Shares (except those in certificated form) through the Euroclear System will (on the basis of a proxy provided by Euroclear Nederland) be able to exercise rights relating to those Shares such that it will (subject to the individual arrangements between the investor and the accounts of the relevant institutions that hold interests in Shares on behalf of their clients through the Euroclear System as admitted institutions in the Euroclear System (each an "Admitted Institution") or other bank or financial institution where that person maintains a relevant securities account):

- be able to attend but not vote at all general meetings of the Issuer; and
- be able to receive dividends from the Issuer,

in each case, so far as possible in accordance with Guernsey law, the Dutch Securities Giro Transfer Act, other applicable laws and the Euroclear Nederland rules and regulations issued pursuant to the Dutch Securities Giro Transfer Act and further subject to compliance by all concerned with any applicable policies and procedures.

In accordance with the Issuer's Articles of Association, notices of general meetings of the Issuer will be sent to Euroclear Nederland and published in a Dutch national daily newspaper and in the Official Price List of Euronext Amsterdam N.V. Investors should contact their bank or financial institution if they wish to attend the meeting. The date by which an investor must notify their bank or financial institution is determined by its individual arrangement with that bank or financial institution.

Investors should note that certain banks or financial institutions may block the account of an investor who holds Shares (except those in certificated form) through the Euroclear System from the time that the Admitted Institution has received instructions from such investor until the record date for the purposes of the general meeting has passed.

Market Regulation

The market regulator in the Netherlands is the AFM insofar as the supervision of market conduct is concerned. The AFM has supervisory powers with respect to the publication of price sensitive information by listed companies and to the application of takeover regulations. It also supervises investment institutions and financial intermediaries, such as credit institutions, investment firms and investment advisors. The AFM is also the competent authority for approving all prospectuses published for admission of securities to trading on the regulated market of Euronext Amsterdam N.V., except for prospectuses approved in other member States within the European Economic Area that are used in the Netherlands in accordance with applicable passporting rules. The surveillance unit of Euronext Amsterdam N.V. and the AFM monitor and supervise all trading operations.

Investment Institutions

Pursuant to Article 2:65 of the FMSA, it is prohibited to, in the Netherlands, directly or indirectly, solicit or obtain monies or other assets for shares in an investment institution or to offer shares in an investment institution, such as the Issuer, if the manager (or, if the investment institution does not have a manager, the investment institution itself) does not have a license, unless an exception, exemption or individual dispensation applies. Pursuant to Article 2:66 FMSA, foreign investment institutions like the Issuer are excepted from the offering prohibition if the institution is actually subject to supervision in the country where it has its seat and the level of supervision of that country is considered adequate by the Dutch Minister of Finance. To be eligible for the exception the institution has to notify the AFM that it intends to offer its shares in the Netherlands and has to submit a declaration of supervision from the supervisory authority of the country where it has its seat. In such cases, the Dutch Minister of Finance relies upon the supervision exercised in the country where the investment institution has its seat. By Ministerial Decree of November 13, 2006, as amended December 4, 2006, in respect of the accreditation of states as referred to in Article 2:66 FMSA, Guernsey was accredited by the Minister of Finance to have such adequate supervision, as far as the supervision of "Class A" and "Class B" open-ended investment institutions and closed-ended investment institutions is concerned.

The Issuer has notified the AFM that it intends to offer its Shares in the Netherlands and will submit a declaration of supervision from the Guernsey Financial Services Commission and will consequently be excepted from the offering prohibition. Irrespective of the exception set forth above, the Issuer will remain subject to certain ongoing requirements under, *inter alia*, the FMSA and the rules and regulations further promulgated thereunder relating to the disclosure of certain information to investors, including the publication of its financial statements. The Issuer will be registered with the AFM under Article 1:107 FMSA.

Takeover Regulation

The Dutch takeover rules (as provided for in the Dutch 1995 Act on the Supervision of the Securities Trade (*Wet toezicht effectenverkeer 1995*) and rules and regulations promulgated thereunder), as currently still in effect, will also apply to the Issuer once the Shares are admitted to listing on Eurolist by Euronext Amsterdam. These rules relate to the obligation to publish an offer document when launching a public offer for Shares in the Issuer following the Admission to listing and the preparation, launch and settlement of such a public offer. These public offer rules are intended to ensure that in the event of such a public offer sufficient information will be made available to the investors, that investors will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period.

Further, the Dutch bill to implement the EU Takeover Directive is still pending and, once enacted, will lead to changes in the Dutch takeover rules and in the way that these rules are applied to the Issuer.

Obligations of Shareholders To Disclose Holdings

Pursuant to the FMSA, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of the Issuer must immediately give written notice to the AFM by means of a standard form or electronically, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person in the Issuer falls on or crosses (whether by exceeding or falling below) the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50% 60%, 75% and 95% of the voting rights or capital interests in the issued capital of the Issuer.

A notification requirement also applies if a person's capital interest or voting right meets or passes the abovementioned thresholds as a result of a change in the Issuer's total share capital or voting rights. Such notification has to be made no later than the fourth trading day after the AFM has published the Issuer's notification as described below. The Issuer is required to notify the AFM immediately of the changes to its total share capital or voting rights if its share capital or voting rights changes by 1.0% or more since the Issuer's previous notification. The AFM will publish such notification in a public register.

Each person who holds an interest in the Issuer's share capital or voting rights of 5% or more at the time of Admission, must immediately notify the AFM. In addition, once in every calendar year, every holder of 5% or more of the Issuer's share capital or voting rights whose interest has, in the period after their most recent notification to the AFM, changed as a result of certain acts (including but not limited to the exchange of shares for depository receipts and the exercise of a right to acquire shares) must notify the AFM.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) shares (or depositary receipts for shares) directly held (or acquired or disposed of) by any person, (ii) shares (or depositary receipts for shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement and (iii) shares (or depositary receipts for shares) which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of, including, but not limited to, on the basis of convertible bonds). Special rules apply to the attribution of shares (or depositary receipts for shares) which are part of the property of a partnership or other community of property. A holder of a pledge or a right of usufruct in respect of shares (or depositary receipts for shares) can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the shares or, in case of depositary receipts, the underlying shares. If a pledgee or usufructarian acquires such (conditional) voting rights, this may trigger the reporting obligations for the holder of the shares (or depositary receipts for the shares).

The AFM keeps a public register of all notification made pursuant to the FMSA.

PART VI—THE OFFER

Overview

The global offering consists of an offering of up to 30,000,000 Shares, denominated in U.S. Dollars. The Issuer will apply for listing of all of its Shares on Eurolist by Euronext Amsterdam. It is expected that such listing will become effective and that dealings in its Shares will commence on or about April 19, 2007 on an "as-if-and-when-issued-or-delivered" basis.

The global offering consists of (i) a public offering in the Netherlands, (ii) a global private placement to institutional and other sophisticated investors outside the United States in reliance on an exemption from registration provided by Regulation S and (iii) a private placement (which, in the case of AIs, will be made directly by the Issuer) of certificated shares in the United States to persons reasonably believed to be both (a) QPs and (b) either (x) QIBs or (y) AIs that are existing investors in the Issuer or the U.S. Feeder Fund prior to the global offering. The Shares are not being offered to and, other than with respect to Converted Shareholders to the extent of Shares acquired by Converted Shareholders in the Share Conversion Transactions or an Exchange, are not eligible for investment by any Plan or other "benefit plan investor" that is subject to Title I of ERISA or Section 4975 of U.S. Internal Revenue Code.

The expected date of issuance of the Shares will be on or about April 26, 2007, which is expected to be five Business Days after the initial date of trading of the Shares being offered in the global offering.

Up to 30,000,000 Shares are being offered for sale by the Issuer pursuant to the global offering at the Offer Price of $10 per Share.

Pursuant to the purchase/placement agreement to be entered into among the Issuer, the Voting Shareholder and the Joint Bookrunners, the Joint Bookrunners have been granted an option to purchase from the Voting Shareholder up to an additional 15% of the total number of Shares initially sold in the global offering at the Offer Price less the Joint Bookrunners' commission, exercisable until 30 calendar days after the Listing Date, to cover over-allotments, if any. Assuming 30,000,000 Shares are sold in the global offering and the Over-allotment Option is not exercised and based on the Offer Price of $10 per Share, the global offering will raise $300 million of gross proceeds and $282.0 million of net proceeds (giving effect to estimated cash fees and expenses related to the global offering). The Over-allotment Option, if fully exercised, could raise $45 million of additional gross proceeds and $43.4 million of net proceeds. The net proceeds figures in the preceding sentences are based on estimated fees and expenses of the global offering and do not include any incentive fee that may be payable at the Issuer's discretion. See "—Costs and Expenses of the Global Offering".

The Joint Bookrunners will determine the categories of institutional or other sophisticated investors that can participate in the global offering, and allocations of Shares under the global offering will be determined by the Issuer in consultation with the Joint Bookrunners after receipt of indications of interest from prospective investors.

Number of Shares

The actual number of Shares offered in the global offering will be determined by the Issuer and the Joint Bookrunners after taking into account the criteria and conditions listed below, but the aggregate amount of the global offering will not exceed $360 million (excluding the Over-allotment Option):

- demand for the Shares in the global offering; and
- the economic and market conditions, including those in the debt and equity markets.

The actual number of Shares offered in the global offering will be set out in a pricing statement and filed with the AFM and will be announced in a press release and an advertisement in at least one national newspaper distributed daily in the Netherlands and the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*) on or about April 19, 2007.

Expected Timetable for the Global Offering

The timetable below lists certain expected key dates for the global offering.

Event	Date
Subscription period	9:00 a.m. Central European Time ("CET") on March 28, 2007 to 4:00 p.m. CET on April 18, 2007
Latest time and date for receipt of indications of interest in the global offering:	5:00 p.m. CET on April 18, 2007
Announcement of number and allotment of the Shares	April 19, 2007
Trading in the Shares on an "as-if-and-when-issued-or-delivered" basis ("Listing Date"):	April 19, 2007
Admission to listing of the Shares on Eurolist by Euronext Amsterdam on an unconditional basis ("Admission")	April 26, 2007
Settlement Date	April 26, 2007

Each of the dates in the above timetable is subject to change. Any acceleration or extension of the timetable of the global offering will be announced in a press release (together with any related revision of the expected dates of pricing, allocation and closing) at least two hours before the proposed expiration of the accelerated timetable for the global offering or, in the event of an extended timetable for the global offering, at least two hours before the expiration of the original timetable for the global offering. Any extension of the timetable for the global offering will be for a minimum of one full Business Day. References to times are to CET unless otherwise stated. The subscription period will be for a minimum of six Business Days.

The Issuer expects that delivery of the Shares will be made against payment therefor on or about the Settlement Date specified on the cover page of this prospectus, which will be the fifth Business Day following the expected initial date of trading of the Shares (such settlement cycle being referred to as "T+5"). Under applicable rules and regulations, trades in the secondary market generally are required to settle in three Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Shares on the initial trading date of the Shares and the next succeeding Business Day will be required, by virtue of the fact that the Shares initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Shares who wish to trade Shares on the initial date of trading of the Shares or the next succeeding Business Day should consult their own advisor.

Bookbuilding

Indications of interest in acquiring Shares will be solicited by Deutsche Bank and Morgan Stanley from institutional and other sophisticated investors. Based on indications received and based on subscriptions received from other investors during the subscription period, Deutsche Bank and Morgan Stanley will conduct a bookbuilding process pursuant to which they will endeavor to establish the demand for the Shares and the number of Shares which may be sold under the global offering.

The latest time and date for receipt of indications of interest in the global offering is 5:00 p.m. CET on April 18, 2007 but that time may be accelerated or extended at the discretion of Deutsche Bank and Morgan Stanley (with the agreement of the Issuer). The number of Shares to be sold pursuant to the global offering will be determined by the Issuer and the Joint Bookrunners, having regard to the outcome of the bookbuilding process. The number of Shares to be sold under the global offering are expected to be determined on April 19, 2007. Allocation will take place by no later than the opening of trading on the Listing Date. The minimum aggregate amount which a prospective investor may purchase in the global offering is $75,000.

The actual number of Shares offered in the global offering will be published in a pricing statement and filed with the AFM and will be announced in a press release and an advertisement in at least one national newspaper distributed daily in the Netherlands and the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*).

Completion of the global offering will be subject, *inter alia*, to the execution of a pricing agreement by Deutsche Bank, Morgan Stanley and the Issuer and each of their decisions to proceed with the global offering. It will also be subject to the satisfaction of conditions contained in the purchase/placement agreement, including Admission occurring, and to the purchase/placement agreement not having been terminated.

The Issuer and the Joint Bookrunners reserve the right to reject any subscription or scale back any or all subscriptions as they, in their absolute discretion, consider appropriate.

In connection with the global offering, each of the Joint Bookrunners and any affiliate acting as an investor for its own account may take up Shares and in that capacity may retain, purchase or sell such Shares (or related investments), for its own account and may offer or sell such Shares (or other investments) otherwise than in connection with the global offering.

Joint Bookrunners

Deutsche Bank and Morgan Stanley are acting as the Joint Bookrunners in connection with the global offering.

Underwriting

The global offering is underwritten (other than in the case of Shares sold to AIs, which will be directly placed by the Issuer) subject to the terms and conditions of the purchase/placement agreement. The global offering will lapse if the purchase/placement agreement is terminated in accordance with its terms prior to Admission, and any funds received in respect of the global offering will be returned to applicants without interest.

Listing and Trading of the Shares

The Issuer will apply for the admission of all of its Shares to trading on the regulated market of Euronext Amsterdam N.V. and for the listing of its Shares under the symbol "TFG". The Issuer expects that trading of the Shares on the regulated market of Euronext Amsterdam N.V. will commence on or about April 19, 2007 on an "as-if-and-when-issued-or-delivered" basis. The Settlement Date, on which the closing of the global offering and delivery of the Shares is scheduled to take place, is expected to be on or about April 26, 2007.

Investors that wish to enter into transactions in the Shares prior to the Settlement Date, whether such transactions are effected on Eurolist by Euronext Amsterdam or otherwise, should be aware that the closing of the global offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the purchase/placement agreement are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of certificates and legal opinions and such events include the absence of a suspension of trading on Euronext Amsterdam N.V. or a material adverse change in the Issuer's financial condition or business affairs or in the financial markets. If closing of the global offering does not take place on the Settlement Date or at all, all transactions in the Shares on Eurolist by Euronext Amsterdam conducted between the announcement of the offering and the Settlement Date are subject to cancellation by Euronext Amsterdam N.V. All dealings in the Shares on the regulated market of Euronext Amsterdam N.V. prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam N.V. does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the global offering or the related annulment of any transactions on Eurolist by Euronext Amsterdam.

Payment, Delivery, Clearing and Settlement

The Shares will be entered into the collective deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*).

Payment for the Shares, and payment for any Shares subject to the Over-allotment Option, provided that the Over-allotment Option has been exercised prior to the Settlement Date, will take place on the Settlement Date. Application has been made for the Shares (except those issued in certificated form) to be accepted for transfer and delivery through the book-entry facilities of the Euroclear System.

Delivery of the Shares (except those in certificated form) is expected to take place on or about April 26, 2007, which we refer to as the Settlement Date, through the book-entry facilities of the Euroclear System

in accordance with the Dutch Securities Giro Act and its normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.

The accounts of the relevant Admitted Institutions are expected to be credited with interests in the number of Shares to which investors are entitled under the global offering on or about April 26, 2007. The timing of the crediting of interests to the securities account of each investor holding interests through the Euroclear System may vary depending on the securities account systems of the relevant Admitted Institution and, if applicable, the banks or financial institutions at which that person maintains a relevant securities account.

In the event of any failure by an investor in Shares to pay as so directed by a Joint Bookrunner, the relevant investor shall be deemed hereby to have appointed each Joint Bookrunner and any nominee of a Joint Bookrunner, each acting alone, to sell (in one or more transactions) any or all of the Shares in respect of which payment shall not have been made as directed and to have agreed to indemnify on demand each Joint Bookrunner in respect of any liability for stamp duty and all transfer taxes, duties or imposts arising in respect of any such sale or sales and the issuer for any loss arising as a result of such failure.

For Shareholders required to receive their Shares in certificated form, temporary documents of title will not be issued pending the dispatch by post of definitive certificates, which is expected to take place by April 26, 2007. Shares initially issued under the global offering in certificated form may subsequently be deposited into the book-entry facilities of the Euroclear System, save that U.S. persons or persons within the United States who receive Shares under the global offering or in the related Share Conversion Transactions or in an Exchange may not deposit their Shares into the book-entry facilities of the Euroclear System but must hold their Shares in certificated form until such time as holding through Euroclear book-entry facilities is permitted, as described in the next paragraph.

Any Shares held by a U.S. person who: (i) acquired such Shares under the global offering or in the related Share Conversion Transactions or in an Exchange; (ii) acquired such Shares from a U.S. person who acquired such Shares under the global offering or in the related Share Conversion Transactions or in an Exchange; or (iii) is otherwise connected to a U.S. person who acquired Shares in the global offering by an unbroken series of transactions that did not include a bona fide offshore sale to a person not known by the seller to be a U.S. person meeting the requirements of Regulation S under the Securities Act must be held in certificated form and will only be eligible for holding through Euroclear book-entry facilities upon the sale of the Shares to a person not known by the seller to be a U.S. person and the provision by the seller of a signed Surrender Letter addressed to the Issuer, in the form attached as Appendix C to this prospectus (or in a form otherwise acceptable to the Issuer) (a "Surrender Letter"), with a copy provided to the Transfer Agent, containing representation that the purchaser is not known by the seller to be a U.S. person.

There are certain important restrictions on the transfer of the Shares as described under "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Transfer Restrictions".

Stabilization and Over-allotment

In connection with the global offering, the Joint Bookrunners may over-allot Shares in an amount up to a maximum of 20% of the number of Shares initially sold in the global offering. Pursuant to the purchase/placement agreement to be entered into among the Issuer and the Joint Bookrunners, the Joint Bookrunners have been granted an option to purchase from the Voting Shareholder up to an aggregate of 4,500,000 additional Shares at the Offer Price less the Joint Bookrunners' commission until 30 days from the Listing Date. The option may be exercised only in connection with an over-allotment of the Shares, as further described below.

The Voting Shareholder will be issued Shares equal to 15% of the total number of Shares initially sold in the global offering in exchange for a note payable in the amount of the Offer Price of such Shares less the Joint Bookrunners' commission for such Shares. The Voting Shareholder will use the Shares it receives, to the extent needed, to satisfy the Over-allotment Option. Pending such use, these Shares may be lent to the Stabilization Agent to cover any short positions. If the Over-allotment Option is exercised, the Voting Shareholder will sell to the Joint Bookrunners the number of Shares as to which they have exercised the option and use the proceeds to satisfy its note payable to the Issuer. All remaining Shares held by the Voting Shareholder after the exercise or expiration of the Over-allotment Option will be returned to the Issuer and redeemed.

In connection with the global offering, the Joint Bookrunners may purchase and sell the Shares in the open market, through transactions that may be effected through the Stabilization Agent, or through any of its agents. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales, and may be effected on Eurolist by Euronext Amsterdam, in the over-the-counter market or otherwise. Such transactions may commence on or after the date of the commencement of trading on the Listing Date and will end no later than 30 days thereafter.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the Joint Bookrunners for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Shares, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. The Joint Bookrunners are not required to engage in these activities, and may end any of these activities at any time. Stabilization transactions must be conducted in accordance with Regulation M, and with all applicable laws and regulations, including (i) the FMSA and its implementing regulations, (ii) the Commission Regulation (EC) No. 2273/2003 and (iii) Rule A-2408 of Rule Book II of Euronext Amsterdam. Rule A-2408 provides that only Euronext members may engage in stabilization activities on Euronext Amsterdam. The Stabilization Agent appointed by the Issuer in connection with the global offering will be a Euronext member.

Neither the Issuer nor any of the Joint Bookrunners make any representation or prediction as to the direction or magnitude of any effect that the stabilization transactions described above may have on the price of the Shares. In addition, neither the Issuer nor the Joint Bookrunners make any representations that the Joint Bookrunners will engage in such transactions or that such transactions will not be discontinued without notice, once they are commenced.

Lock-up Arrangements

Each of the Issuer, the Master Fund, the U.S. Feeder Fund, the Investment Manager, the Principals, the Voting Shareholder and the Polygon affiliate holding interests in the U.S. Feeder Fund, and each existing investor holding interests in the Issuer and the U.S. Feeder Fund as at the date of this prospectus who has consented to the Share Conversion Transactions or LP Conversion Transactions, as the case may be (each, an "Existing Investor"), has agreed that it will not, during the period ending (A) 360 days following the Settlement Date (in the case of the Issuer, the Master Fund, the U.S. Feeder Fund, the Investment Manager, the Principals, the Voting Shareholder and the Polygon affiliate) or (B) 90 days following the Settlement Date (in the case of Existing Investors other than those listed in clause (A)), (1) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for, or economically equivalent to, Shares (including partnership interests in the U.S. Feeder Fund), (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in (1) or (2) above is to be settled by delivery of Shares or other securities, in cash or otherwise or (3) file any registration statement or prospectus relating to the offering of any Shares or any securities convertible into or exercisable or exchangeable for, or economically equivalent to, Shares (including partnership interests in the U.S. Feeder Fund), except in each case with the prior written consent of the Joint Bookrunners. The above restrictions will not apply to (i) the sale of Shares hereunder, (ii) transactions relating to Shares or other securities acquired in open market transactions after the completion of the offering of the Shares, (iii) the Share Conversion Transactions and LP Conversion Transactions, (iv) an Exchange for Shares as described under the caption "Part XII—Additional Information—The Issuer—Capital Structure of the Issuer", (v) the issuance by the Issuer of Shares and the granting of options to purchase Shares to the Investment Manager as described under the caption "Part II—The Company's Management—Conflicts of Interest and Related Party Transactions and (vi) the lending of Shares to the Stabilization Agent as described above under "—Stabilization and Over-allotment"; provided that with respect to an exchange, transfer or sale pursuant to clauses (iii) and (iv) above, the relevant Shareholder will continue to be bound by the above restrictions with respect to any Shares acquired in such Share Conversion Transaction or Exchange until the expiry of the applicable period.

Costs and Expenses of the Global Offering

The costs and expenses of the global offering, including underwriting discounts and commissions and placement fees of up to 3.5% of the gross proceeds of the global offering, will be borne by the Issuer and the Master Fund and are estimated to be $29.8 million, assuming 30,000,000 Shares are issued in the global offering and the Over-allotment Option is not exercised. The estimated costs and expenses include $11.8 million representing the fair value of the options issued to the Investment Manager. The Issuer, in its discretion, may pay the Joint Bookrunners an incentive fee equal to 0.5% of the gross proceeds of the global offering, determinable no later than one Business Day prior to the Closing Date. The estimated costs and expenses above do not include this incentive fee.

Other Services Provided by the Joint Bookrunners

The Joint Bookrunners and their respective affiliates may from time to time provide products and advisory or other services to the Issuer, the Master Fund, the Investment Manager or other Related Parties. From time to time, the Joint Bookrunners and their respective affiliates may also engage in other transactions with the Joint Bookrunners or its affiliates and other funds managed by the Investment Manager or its affiliates in the ordinary course of their businesses, including, without limitation, transactions involving the purchase and sale of securities, loans and other investments, derivative transactions including hedging transactions, valuation services and other transactions (*e.g.*, leverage against investments).

Morgan Stanley and an affiliate of Morgan Stanley serve as the Company's Prime Broker and an affiliate of Deutsche Bank provides the Company with a swap facility.

A Joint Bookrunner and/or its affiliate may from time to time sell assets to, or acquire assets from, the Company or other funds managed by the Investment Manager or its affiliates. From time to time, a Joint Bookrunner or its affiliate may also hold securities of other Related Parties.

Each of Morgan Stanley and Deutsche Bank has agreed to provide $150 million in financing in connection with potential CDO transactions and other investments. See "Part XII—Additional Information—Material Agreements—CDO Financing Agreements".

Investors should note that one or more of the Joint Bookrunners and/or their respective affiliates may have acted, may currently act, and may in the future act in various capacities in relation to the issuers of certain securities in which the Company invests or may invest, including as manager, servicer, security trustee, equity holder and/or secured lender to the issuer or affiliates of the issuer of the relevant securities. Each such role would confer specific rights to and obligations on the relevant Joint Bookrunner and/or its affiliate. In carrying out these rights and obligations the interests of the relevant Joint Bookrunner and/or its affiliate may not be aligned with the interests of a potential investor in the Shares.

Listing Agents and Paying Agent

Morgan Stanley & Co. International Limited and Deutsche Bank AG, London Branch, acting jointly, are the Listing Agents with respect to the listing of the Shares on Eurolist by Euronext Amsterdam and admission for trading on the regulated market of Euronext Amsterdam N.V. The address of the Listing Agents is set out on page 193 of this document. KAS Bank N.V. is acting as issuing agent and as paying agent and transfer agent for the Shares in the Netherlands. The address of KAS Bank N.V. is Spuistraat 172, 1012 VT Amsterdam, The Netherlands.

Security Codes

The following are the security codes for the Shares:

- ISIN: GG00B1RMC548
- Amsterdam Security Code (*fondscode*): 29367

Euroclear Nederland

The address of Euroclear Nederland is Damrak 70, 1012 LM Amsterdam, the Netherlands.

PART VII—CERTAIN TAX CONSIDERATIONS

The following summary discusses certain Guernsey, Dutch, United Kingdom and United States tax considerations related to the purchase, ownership and disposition of the Shares based on the applicable law as in effect on the date hereof. This summary does not address all the considerations that may be relevant to purchasers of the Shares. Prospective purchasers of the Shares are advised to consult with their own tax advisors concerning the consequences of an investment in the Shares under the tax laws of the country in which they are resident and other relevant jurisdictions.

Guernsey Tax Considerations

The Issuer and the Master Fund

Each of the Issuer and the Master Fund has applied for and been granted exempt status for Guernsey tax purposes. Under current law and practice in Guernsey, each of the Issuer and the Master Fund will only be liable to tax in Guernsey in respect of income that has its source in Guernsey, other than bank deposit interest. A fee, currently £600 per annum, is payable to the Treasury and Resources Department of the States of Guernsey in respect of each company's exempt status.

In response to the review carried out by the European Union Code of Conduct Group, the States of Guernsey decided on June 30, 2006 that:

- from January 1, 2008 the basic rate of income tax on company profits will be zero percent;
- only a limited amount of regulated business (*i.e.*, specific banking activities) will be subject to income tax at 10%;
- resident individuals will continue to pay income tax at 20% on assessable income; and
- "wealth taxes" such as inheritance and capital gains taxes will not be introduced.

In addition, the Treasury and Resources Department were directed to investigate a system of goods and services tax and to prepare enabling legislation.

However, the States of Guernsey has also agreed that because collective investment schemes, including closed end investment vehicles, were not one of the regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, that collective investment schemes and closed end investment vehicles, such as the Issuer and the Master Fund, will continue to be able to apply for exempt status for Guernsey tax purposes after December 31, 2007. Dividend and interest paid to non-residents of Guernsey by schemes with exempt status are regarded as having their source outside of Guernsey and are not subject to Guernsey income tax. Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a Dwellings Profits Tax), gifts, sales or turnover, nor are there any estate duties (save that *ad valorem* fees are payable in respect of the grant of probate or letters of administration).

There is a liability to document duty at the rate of one half of one percent (subject to a minimum of £50 and a maximum for the lifetime of the company of £5,000) on the nominal value of the Issuer's and the Master Fund's authorized share capital payable on incorporation and on any subsequent increase in the nominal value of the authorized share capital. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of Shares.

Shareholders

Guernsey does not levy capital gains tax (with the exception of a dwellings profit tax) and, therefore, neither the Issuer or Master Fund, nor any of their shareholders will suffer any tax in Guernsey on capital gains. Payments made by the Issuer or Master Fund to non-Guernsey resident shareholders, whether made during the life of the Issuer or Master Fund or by distribution on the liquidation of the Issuer or Master Fund, will not be subject to Guernsey tax. Whilst the Issuer or Master Fund is no longer required to deduct Guernsey income tax from dividends on any participating Share (if applicable) paid to Guernsey residents, the Issuer and the Master Fund are required to make a return to the Administrator of Income Tax, on an annual basis, when renewing the Issuer's and Master Fund's exempt tax status, as described above, of the names, addresses and gross amounts of income distributions paid to shareholders resident in the Islands of Guernsey, Alderney or Herm during the previous year.

European Union Directive on the Taxation of Savings Income ("EU Savings Directive")

Guernsey has introduced measures that are the same as the EU Savings Tax Directive. However, paying agents located in Guernsey are not required to operate the measures on payments made to shareholders by collective investment schemes and closed ended investment companies established in Guernsey.

United Kingdom Taxation

The Issuer

The Directors intend to manage the affairs of the Issuer and the Master Fund so that neither of them becomes resident in the United Kingdom for U.K. tax purposes (although there can be no assurance that the conditions necessary to prevent any such tax treatment will at all times be satisfied). Accordingly, provided that the Issuer and the Master Fund do not carry on a trade in the United Kingdom through a permanent establishment situated therein for U.K. tax purposes, the Issuer and the Master Fund will not be subject to U.K. corporation tax on income and capital gains arising to them. The Directors intend to conduct the affairs of the Issuer and the Master Fund so that no such permanent establishment will arise insofar as this is within their control, but it cannot be guaranteed that the conditions necessary to prevent any such permanent establishment coming into being will at all times be satisfied.

Shareholders

- *Disposal of Shares.* The Issuer is a closed-ended company incorporated in Guernsey and therefore the Issuer should not be treated as a "collective investment scheme" as defined in the FMSA. Accordingly, the provisions of sections 756A to 764 of the Income and Corporation Taxes Act 1988 (the "Taxes Act") (which can apply to such collective investment schemes and in certain circumstances treat capital gains arising from the disposal of an interest in the scheme as income for tax purposes) should not apply. For so long as the Issuer is not a collective investment scheme, any disposal of Shares by a Shareholder might give rise to a chargeable gain for U.K. tax purposes, as described below.

  (a) *U.K. Resident Shareholders.* A disposal of Shares by a Shareholder who is (at any time in the relevant U.K. tax year) resident or, in the case of an individual, ordinarily resident in the United Kingdom for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of U.K. taxation on chargeable gains (including by reference to changes in the Sterling/Euro exchange rate), depending on the Shareholder's circumstances and subject to any available exemption or relief.

  (b) *Non-U.K. Resident Shareholders.* A Shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade in the United Kingdom through a branch or agency, or in the case of a company a permanent establishment, may be subject to U.K. taxation on chargeable gains on a disposal of Shares which are used in or for the purposes of the trade or used, held or acquired for use for the purposes of the branch, agency or permanent establishment.

  A Shareholder who is an individual who ceases or has ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years of assessment and who disposes of Shares during that period may also be liable, on his return to the United Kingdom, to U.K. taxation on chargeable gains (subject to any available exemption or relief). It should be noted that the U.K. Finance (No. 2) Act 2005 contains provisions to deal with individuals who are resident or ordinarily resident in the United Kingdom but fall to be regarded as resident in a territory outside the United Kingdom for the purposes of double taxation relief arrangements.

  For a Shareholder not within the charge to corporation tax, such as an individual, trustee or personal representative, taper relief (which reduces a chargeable gain depending on the length of time, measured in years, for which an asset is held) may be available to reduce the amount of chargeable gain realized on a subsequent disposal. For a Shareholder within the charge to corporation tax, indexation allowance on the cost apportioned to the Shares should be available to reduce the amount of the chargeable gain realized on a subsequent disposal.

  (c) *Income from the Issuer.* According to their personal circumstances, Shareholders resident in the United Kingdom for tax purposes or Shareholders carrying on a trade in the United Kingdom through a branch or agency, or in the case of a company a permanent establishment, in

connection with which the Shares are held will be liable to U.K. income tax or corporation tax, as applicable, in respect of dividends or other income distributions of the Issuer. Where investments of the Issuer are distributed *in specie* to Shareholders other than by way of dividend, such distributions may represent a part-disposal of Shares for U.K. tax purposes.

(d) *Anti-Avoidance.* The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Sections 739 to 745 of the Taxes Act. Those provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Issuer on an annual basis.

More generally, the attention of Shareholders is also drawn to the provisions of Sections 703 to 709 of the Taxes Act, which give powers to HM Revenue & Customs to cancel tax advantages derived from certain transactions in shares.

The Taxes Act also contains (in Chapter IV of Part XVII) provisions that subject certain U.K. resident companies to U.K. corporation tax on profits of companies not so resident in which they have an interest. A company holds an interest in a non-resident company where it possesses or is entitled to acquire share capital, voting rights or rights to distributions or where it is entitled to secure that income or assets of the company will be applied for its benefit or where it otherwise has control of the company. The provisions may affect U.K. resident companies which are deemed to be interested (together with any connected or associated companies) in at least 25% of the profits of a non-resident company which is controlled by residents of the United Kingdom, which does not distribute substantially all of its income, and which is subject to a level of taxation in the territory in which it is resident which is less than three quarters of that to which it would be liable if it were resident in the United Kingdom (subject to certain assumptions). The legislation applies to chargeable profits of the foreign company which, for this purpose, does not include chargeable gains.

It is anticipated that the ownership in the Issuer will be such as to ensure that the Issuer would not be a close company if resident in the United Kingdom. If, however, the ownership of the Issuer were to be such that it would be close if resident in the United Kingdom as described, certain adverse tax consequences could result including that chargeable gains accruing to it may be apportioned to certain U.K. resident or, in the case of an individual, ordinarily resident Shareholders who may thereby become chargeable to capital gains tax or corporation tax on chargeable gains on the gains apportioned to them.

(e) *Stamp Duty and Stamp Duty Reserve Tax.* The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers or intermediaries or where the Shares are issued to a depositary or clearing system or its nominee or agent. No U.K. stamp duty or stamp duty reserve tax will be payable on the issue of the Shares. No U.K. stamp duty will be payable on the transfer of the Shares, provided that any instrument of transfer is executed and retained outside the United Kingdom and does not relate to any property situated, or to any matter or thing done or to be done, in the United Kingdom. Provided that the Shares are not registered in any register kept in the United Kingdom by or on behalf of the Issuer and that the Shares are not paired with shares issued by a company incorporated in the United Kingdom, any agreement to transfer the Shares will not be subject to U.K. stamp duty reserve tax.

Taxation in the Netherlands

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax laws which could be of relevance to a Shareholder. Prospective Shareholders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Shares.

The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

It is anticipated that the Issuer is not a resident of the Netherlands or has a presence in the Netherlands for Dutch tax purposes. On that basis, the Dutch tax treatment of the Shares and any payments made thereunder will be summarized as below.

Withholding Tax

Any payments made under the Shares will not be subject to withholding or deduction for, or on account of, any Dutch taxes.

Taxes on income and capital gains

This section does not purport to describe the possible Dutch tax considerations or consequences that may be relevant to a Shareholder who receives Shares or has received any Shares or benefits from the Shares as employment income, deemed employment income or otherwise as compensation.

- Residents of the Netherlands

  The description of certain Dutch tax consequences in this paragraph is only intended for the following Shareholders:

  (a) individuals who are resident or deemed to be resident of the Netherlands for the purposes of Dutch income tax;

  (b) individuals who opt to be treated as a resident of the Netherlands for purposes of Dutch income tax ((a) and (b) jointly "Dutch Individuals"); and

  (c) entities that are subject to Dutch corporate income tax under the 1969 Dutch Corporate Income Tax Act 1969 ("CITA") and are a resident or deemed to be a resident of the Netherlands for the purposes of the CITA, excluding:

    (i) pension funds (*pensioenfondsen*) and other entities, that are wholly or partially exempt from Dutch corporate income tax; and

    (ii) Investment institutions (*beleggingsinstellingen*) as defined in article 28 of the CITA;

  (hereafter referred to as "Dutch Corporate Entities").

- Dutch Individuals not having a (fictitious) substantial interest and not engaged or deemed to be engaged in an enterprise or earning benefits from miscellaneous activities

  Generally, Dutch Individual Shareholders who do not have a (fictitious) substantial interest (*(fictief) aanmerkelijk belang*) in the Issuer and who hold Shares that are not attributable to (i) an enterprise from which he derives profits as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, or (ii) to miscellaneous activities (*overige werkzaamheden*), will be subject annually to an income tax imposed on a fictitious yield on such Shares.

  The Shares held by such Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realized, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Shares equals four percent of the average net fair market value of these assets and liabilities measured, in general, at the beginning and end of every calendar year. The current tax rate under the regime for savings and investments is a flat rate of 30%.

  Generally, a Shareholder has a substantial interest (*aanmerkelijk belang*) if such Shareholder, alone or together with his partner, has directly or indirectly:

  (a) the ownership of, or certain rights over, Shares representing five percent or more of the total issued and outstanding capital of the Issuer, or of the issued and outstanding capital of any class of shares of the Issuer; or

  (b) the rights to acquire Shares, whether or not already issued, representing five percent or more of the total issued and outstanding capital of the Issuer, or of the issued and outstanding capital of any class of shares of the Issuer; or

(c) the ownership of, or certain rights over, profit participating certificates that relate to five percent or more of the annual profit of the Issuer or to five percent or more of the liquidation proceeds of the Issuer.

A Shareholder will also have a substantial interest if his partner or one of certain relatives of that holder or of his partner has a (fictitious) substantial interest.

Generally, a Shareholder has a fictitious substantial interest *(fictief aanmerkelijk belang)* if he has disposed of, or is deemed to have disposed of, all or part of a substantial interest.

- Dutch Individuals having a (fictitious) substantial interest

  Any benefits derived or deemed to be derived from Shares (including any capital gains realized on the disposal thereof) that are held by a Dutch Individual who has a (fictitious) substantial interest ((fictief) aanmerkelijk belang) in the Issuer, are generally subject to income tax at a flat rate of 25%.

- Dutch Individuals engaged or deemed to be engaged in an enterprise or earning benefits from miscellaneous activities

  Any benefits derived or deemed to be derived by a Dutch Individual from Shares (including any capital gains realized on the disposal thereof) that are either attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), or attributable to miscellaneous activities (overige werkzaamheden), including, without limitation, activities which are beyond the scope of active portfolio investment activities, are generally subject to income tax at statutory progressive rates with a maximum of 52%.

- Dutch Corporate Entities

  Any benefits derived or deemed to be derived from Shares (including any capital gains whether or not realized on the disposal thereof) that are held by Dutch Corporate Entities are generally subject to corporate income tax at a statutory rate currently 25.5%. Reduced rates annually apply up to € 60,000 of the taxable profits.

- Non-residents of the Netherlands

  A Shareholder who is not a resident or deemed to be a resident of the Netherlands or, in case of an individual, who has not opted to be treated as a resident of the Netherlands, will not be subject to any Dutch taxes on income or capital gains in respect of the ownership and disposal of the Shares, except if:

  (a) the Shareholder derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a Shareholder, which enterprise is, in whole or in part, carried on through a (deemed) permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which Shares are attributable; or

  (b) the Shareholder is an individual and derives benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) carried out in the Netherlands in respect of Shares, including, without limitation, activities which are beyond the scope of active portfolio investment activities; or

  (c) the Shareholder is entitled, other than by way of the holding of securities, to a share of the profits of an enterprise that is effectively managed in the Netherlands and to which the Shares are attributable.

Gift Tax and Inheritance Tax

No Dutch gift tax or inheritance tax is due in respect of any gift of Shares by, or inheritance of Shares on the death of, a Shareholder, except if:

- the Shareholder is a resident or is deemed to be a resident of the Netherlands; or
- at the time of the gift or death of the Shareholder, his Shares are attributable to an enterprise (or an interest in an enterprise) which is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in the Netherlands; or

- the Shares are acquired by way of a gift from a Shareholder who passes away within 180 days after the date of the gift and who is not and is not deemed to be at the time of the gift, but is, or is deemed to be at the time of his death, a resident of the Netherlands; or
- the Shareholder is entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Shares are attributable.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of the Netherlands if he has been a resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be a resident of the Netherlands if he has been a resident of the Netherlands at any time during the 12 months preceding the date of the gift. Furthermore, under circumstances, a Shareholder will be deemed to be a resident of the Netherlands for purposes of Dutch gift and inheritance tax, if the heirs jointly or the recipient of the gift, as the case may be, so elect.

Other Taxes and Duties

No other taxes and duties (including stamp duty) are due by or on behalf of a Shareholder in respect of or in connection with the purchase, ownership and disposal of the Shares.

Residency

A Shareholder will not become a resident, or deemed resident of the Netherlands for tax purposes by reason only of holding the Shares.

United States Taxation

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, SHAREHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SHAREHOLDERS UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) SHAREHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The Issuer

The following is a summary of the U.S. federal income tax treatment of the Issuer. This summary is based on the tax laws of the United States, including the U.S. Internal Revenue Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

For U.S. federal income tax purposes, the Issuer is treated as a corporation, and the Master Fund is treated as a partnership. The Issuer and the Master Fund intend to conduct their affairs such that income realized by the Issuer or the Master Fund will not be effectively connected with the conduct of a U.S. trade or business or otherwise subject to regular U.S. federal income taxation on a net income basis. As a result, it is anticipated that no gains realized by the Issuer or the Master Fund (other than gains, if any, realized on the disposition of U.S. real property interests) will be subject to U.S. federal income taxation, but generally dividend and interest income will be subject to U.S. federal withholding tax as discussed further below. If, contrary to the intended method of operation, the Issuer or the Master Fund is considered to be engaged in a U.S. trade or business, the Issuer's share of any income that is effectively connected with such U.S. trade or business will be subject to regular U.S. federal income taxation (currently imposed at a maximum rate of 35%) on a net income basis and an additional 30% U.S. "branch profits" tax. In addition, it is possible that the Issuer or the Master Fund would be subject to taxation on a net income basis by state or local jurisdictions within the United States. Any such taxation would adversely affect the Issuer's ability to make payments in respect of the Shares.

Because both the Issuer and the Master Fund are organized under the laws of Guernsey, each of them will be considered to be a non-U.S. person for purposes of U.S. tax laws. As a result, any dividends received by

the Issuer or the Master Fund from U.S. sources will be subject to U.S. withholding tax at a rate of 30%. However, U.S. source interest income received by the Issuer generally will be exempt from U.S. federal income and withholding tax under the exemption for "portfolio interest" or under another statutory exemption. Interest on corporate obligations will not qualify as "portfolio interest" to a non-U.S. person that owns (directly and under certain constructive ownership rules) 10% or more of the total combined voting power of the corporation paying the interest, or, with respect to certain obligations issued after April 7, 1993, if and to the extent the interest is determined by reference to certain economic attributes of the debtor (or a person related thereto). In addition, interest on U.S. bank deposits, certificates of deposit and certain obligations with maturities of 183 days or less (from original issuance) will not be subject to withholding tax. Any, interest (including original issue discount) derived by the Issuer from U.S. sources not qualifying as "portfolio interest" or not otherwise exempt under U.S. law will be subject to U.S. withholding tax at a rate of 30%.

Because of the composition of its assets and nature of its income the Issuer is a PFIC for U.S. federal income tax purposes. A non-U.S. corporation is treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (a) at least 75% of its gross income is "passive income" (as defined below) or (b) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, certain royalties, rents and gains from commodities and securities transactions. In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. The Issuer's status as a PFIC will subject U.S. Holders (as defined below) to certain adverse U.S. federal income tax consequences, as described below.

U.S. Holders

The following is a summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the Shares by a U.S. Holder (as defined below). This summary deals only with initial purchases of the Shares by U.S. Holders that will hold the Shares as capital assets. The discussion will not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of the Shares by particular investors, and does not address state or local tax laws. In particular, this summary does not address tax considerations relevant to certain types of investors that are subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, regulated investment companies, U.S. expatriates or persons treated as residents of more than one country, investors that will hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. Dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of the Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds the Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of the Shares by the partnership.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OUR SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

Dividends paid out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) of the Issuer will generally be taxable to a U.S. Holder as foreign source dividend income and will generally be categorized as "passive category income" for U.S. foreign tax credit purposes. Dividends paid on the Shares will not be eligible for the dividends received deduction allowed to corporations or for the preferential 15% tax rate applicable to qualified dividend income of individuals and certain other non-corporate taxpayers. Dividends in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. However, the Issuer does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Issuer with respect to the Shares will constitute ordinary dividend income. In addition, a portion of certain dividends may constitute "excess distributions" subject to the special rules described under "Passive Foreign Investment Company Considerations" below. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Issuer.

Sale or Other Disposition

Upon a sale or other disposition of the Shares, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. Any gain may be subject to special tax treatment under the PFIC rules described below. Unless a mark to market election or a qualified electing fund ("QEF") election is made as described below, any loss will be a capital loss, and will be a long-term capital loss if the Shares have been held for more than one year. The deductibility of capital losses is subject to limitations. Any gain or loss will generally be U.S. source for U.S. foreign tax credit purposes. Generally, a redemption of the Shares held by a U.S. Holder will be treated as a sale, exchange or other disposition for U.S. federal income tax purposes only if the redemption is not "essentially equivalent to a dividend" or is "substantially disproportionate" with respect to the U.S. Holder or results in a complete termination of the U.S. Holder's interest in the Issuer, in each case after taking into account applicable attribution rules. If a redemption of the Shares is not treated as a sale, exchange or other disposition, it will be treated as a distribution from the Issuer for U.S. federal income tax purposes (see "—Dividends").

Foreign Currency

A U.S. Holder's tax basis in the Shares will generally be its U.S. Dollar cost. The U.S. Dollar cost of the Shares purchased with foreign currency will generally be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of the Shares traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service (the IRS).

Any foreign currency received on the sale or other disposition of Shares will have a tax basis equal to its U.S. Dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. Dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase the Shares or upon exchange for U.S. Dollars) will be U.S. source ordinary income or loss for U.S. foreign tax credit purposes.

The amount realized on a sale or other disposition of the Shares for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. Dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of the Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time.

Passive Foreign Investment Company Considerations

Under the PFIC regime, a U.S. Holder will generally be subject to special rules with respect to (i) any "excess distribution" (generally, any distributions received by the U.S. Holder on the Shares in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Shares), and (ii) any gain realized on the sale or other disposition of the Shares. Under these rules (a) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Issuer is a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. A U.S. Holder will be subject to similar rules with respect to distributions to the Issuer by, and dispositions by the Issuer of, investments that are treated as equity interests in other PFICs. Many of the Issuer's investments will be treated as investments in equity interests in PFICs for U.S. federal income tax purposes.

A U.S. Holder may avoid the interest charge and the other adverse PFIC consequences described above by making a QEF election to be taxed currently on its share of the PFIC's undistributed income. A U.S. Holder that makes a valid QEF election must report for U.S. federal income tax purposes its pro rata share of such QEF's ordinary earnings and net capital gain, if any, for each taxable year for which the Issuer is a PFIC, regardless of whether or not any distributions are made. No portion of any such inclusions of ordinary earnings will be eligible to be treated as "qualified dividend income." For non-corporate U.S. Holders, any such net capital gain inclusions would be eligible for taxation at the preferential capital gains tax rates. A U.S. Holder's adjusted tax basis in the shares would be increased to reflect any taxed but undistributed earnings and profits. Notwithstanding the discussion set forth above under "—Dividends," any distribution of earnings and profits that previously had been taxed would not be taxed again when a Shareholder receives such distribution, but would result in a corresponding reduction in the adjusted tax basis in the shares. U.S. Holders would not, however, be entitled to a deduction for their pro rata share of any net losses that the QEF incurs with respect to any year. The ordinary earnings and capital gains of each QEF that a U.S. Holder owns or is deemed to own will be determined in the QEF's functional currency and, when deemed distributed, will be translated into U.S. Dollars using the average exchange rate for the QEF's taxable year. If exchange rates move between the time of deemed distribution and the time of actual distribution, distributions of previously taxed amounts will result in the recognition of ordinary gains or losses.

U.S. Holders may make a timely QEF election with respect to each PFIC whose stock they own, or are deemed to own through ownership of the Shares, by filing a copy of IRS Form 8621 for each such PFIC with their U.S. federal income tax return for the first year in which they hold the Shares. The Issuer will use reasonable efforts to inform Shareholders of the PFIC status of any portfolio company in which it holds an interest. However, the Issuer may not be able to determine the status of a portfolio company without obtaining information that is available only to the management of such company. Because the Issuer will not control the management of the portfolio company in which it holds an interest, it may be difficult for the Issuer to obtain such information, and any information that it does obtain may not be accurate or complete. The Issuer will prepare and send to Shareholders information necessary to satisfy the U.S. federal income tax obligations of a U.S. Holder who has made a QEF election. The Issuer will use reasonable efforts to provide such information with respect to the portfolio companies that the Issuer has determined, subject to the limitations set forth above, to be PFICs. As described above, however, it may be difficult to obtain such information, and any information that the Issuer does obtain may not be accurate or complete. The Issuer may not be able to provide any such information in advance of the April 15 tax return deadline applicable to most individual U.S. taxpayers, and investors should be aware that it may be necessary for them to apply for an extension of time to file their U.S. federal income tax return.

Alternatively, U.S. Holders may avoid some of the adverse tax consequences described above by making a mark to market election with respect to the Shares, provided that our Shares are "marketable". Our Shares will be treated as marketable if they are regularly traded. Our Shares will be considered regularly traded during any calendar year during which they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter on a "qualified exchange or other market". Any trades that have as their principal purpose meeting the 15-day requirement will be disregarded. There is currently no guidance as to whether any particular non-U.S. exchange should be treated as a "qualified exchange or other market" and there can be no certainty as to whether shares traded only on non-U.S. exchanges will be

treated as marketable. There can be no assurance that actual trading volumes of the Shares will be sufficient to permit a mark to market election. In addition, because a mark to mark election with respect to the Issuer would not apply to equity interests in lower-tier PFICs the Issuer owns, a U.S. Holder generally will continue to be subject to the PFIC rules with respect to its indirect interest in the investments held by the Issuer that are treated as equity interests in a PFIC for U.S. federal income tax purposes (which will be significant). U.S. Holders should consult their tax advisers regarding the availability and desirability of a mark to market election.

A U.S. Holder that makes a mark to market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the Shares at the close of the taxable year over the U.S. Holder's adjusted basis in the Shares. An electing Shareholder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted basis in the Shares over the fair market value of the Shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. Gains from an actual sale or other disposition of the Shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the Shares will be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the election may not be revoked without the consent of the IRS unless the Shares cease to be marketable. If the Issuer is a PFIC for any year in which the U.S. Holder owns the Shares but before a mark to market election is made, the interest charge rules described above will apply to any mark to market gain recognized in the year the election is made.

A U.S. Holder must file an annual return on Internal Revenue Service Form 8621, reporting distributions received and gains realized with respect to each PFIC in which it holds a direct or indirect interest.

Prospective investors should consult their tax advisers regarding the potential application of the PFIC regime.

Controlled Foreign Corporations Considerations

The Issuer will be treated as a controlled foreign corporation (a "CFC") for U.S. federal income tax purposes since more than 50% of its total voting power will be held by U.S. citizens or residents. Our status as a CFC should not impact U.S. Holders of the Shares, since only U.S. Holders owning 10% or more of voting power of all the classes of stock of a corporation entitled to vote are subject to the adverse tax regime imposed with respect to CFCs.

U.S. Tax-Exempt Entities

U.S. tax-exempt investors generally are subject to U.S. income tax on their "unrelated business taxable income" ("UBTI"). UBTI is generally defined as the excess of the amount of gross income from any unrelated trade or business conducted by a tax-exempt entity over the deductions attributable to such trade or business, subject to certain modifications. Those modifications provide that UBTI generally does not include interest, dividends, or gains from the sale of securities not held as either inventory or primarily for sale to customers in the ordinary course of business, except to the extent that any such income is generated by an asset financed with "acquisition indebtedness" within the meaning of Section 514 of the U.S. Internal Revenue Code. Accordingly, the income that a U.S. tax-exempt entity derives from an investment in the Shares generally should not give rise to UBTI under Section 511 of the U.S. Internal Revenue Code, except to the extent that such entity's acquisition of the Shares is debt financed.

The Issuer constitutes a PFIC for U.S. federal income tax purposes. Under Treasury Regulations, a tax-exempt entity is not considered to be a shareholder in a PFIC. Therefore, the tax-exempt entity would not be subject to the PFIC tax rules, except to the extent that a dividend paid by such PFIC would be taxable under UBTI provisions of the U.S. Internal Revenue Code. Hence, a tax-exempt entity would only be subject to tax under the PFIC regime in respect of an excess distribution from, or any gain realized on the sale of the shares of a PFIC, in limited circumstances. Additionally, these Treasury Regulations provide that a tax-exempt entity that is not taxable under the PFIC rules may not make a QEF election (see the sub-section headed "—Passive Foreign Investment Company Considerations"). Moreover, different rules may apply to certain types of tax-exempt entities, such as charitable remainder trusts. Accordingly, potential tax-exempt investors are urged to consult their own tax advisers regarding the tax consequences of an investment in the Shares.

Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to the Shares by a U.S. paying agent or other U.S. intermediary to a U.S. Holder may be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to reportable payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. The U.S. Holder may credit amounts withheld against its U.S. federal income tax liability and claim a refund for amounts in excess of its tax liability if the required information is provided to the U.S. Internal Revenue Service. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Transfer Reporting Requirements

A U.S. Holder who purchases the Shares may be required to file Form 926 (or similar form) with the IRS if the purchase, when aggregated with all transfers of cash or other property made by the U.S. Holder (or any related person) to the Issuer within the preceding 12 month period, exceeds $100,000 (or its equivalent). A U.S. Holder who fails to file any such required form could be required to pay a penalty equal to 10% of the gross amount paid for the Shares (subject to a maximum penalty of $100,000, except in cases of intentional disregard). U.S. Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the Shares.

Taxation of Non-U.S. Holders

For U.S. federal income tax purposes, a Shareholder of the Issuer who is a Non-U.S. Holder (as defined below) will not be subject to U.S. federal income taxation on amounts paid by the Issuer in respect of the shares or gains recognized on the sale, exchange or redemption of the Shares, provided that such income and gains are not considered to be effectively connected with the conduct of a trade or business carried on by the Shareholder in the United States. In limited circumstances, an individual holder who is present in the United States for 183 days or more during a taxable year may be subject to U.S. income tax at a flat rate of 30% on gains realized on a disposition of the Shares in such year. Individual Shareholders who at the time of their death are not citizens, former citizens or residents of the United States should not be subject, by reason of the ownership of Shares, to any U.S. federal gift or estate taxes.

For these purposes, the term "Non-U.S. Holder" means any person that is not a U.S. Holder.

Special rules may apply in the case of Non-U.S. Holders (i) that conduct a trade or business in the United States or that have an office or fixed place of business in the United States, (ii) that have a "tax home" in the United States or (iii) that are former citizens or long-term residents of the United States.

In the case of Shares held in the United States by a custodian or nominee for a non-U.S. person, U.S. "backup" withholding taxes may apply to distributions in respect of Shares held by such Shareholder unless such Shareholder properly certifies as to its non-U.S. status or otherwise establishes an exemption from "backup" withholding.

Taxation of Residents of Other Countries not Specifically Addressed Above

The receipt of dividends by Shareholders, the redemption or transfer of Shares and any distribution on a winding-up of the Issuer or the Master Fund may result in a tax liability for the Shareholders according to the tax regime applicable in their various countries of residence, citizenship or domicile. Shareholders resident in or citizens of certain countries which have anti-offshore fund legislation may have a current liability to tax on the undistributed income and gains of the Issuer or the Master Fund. The Directors, the Issuer and each of the Issuer's agents shall have no liability in respect of the individual tax affairs of Shareholders. Shareholders are urged to consult with their tax advisors about the implications of an investment in the Issuer in their home countries.

PART VIII—INVESTMENT RESTRICTIONS, TRANSFER RESTRICTIONS AND CERTAIN ERISA CONSIDERATIONS

The Issuer has elected to impose the restrictions described below on the global offering and on the future trading of the Shares so that it will not be required to register the offer and sale of the Shares in the global offering under the Securities Act, so that it will not have an obligation to register as an investment company under the Investment Company Act and related rules and to address certain ERISA, U.S. Internal Revenue Code and other considerations. The Transfer Restrictions, which will remain in effect until the Issuer determines in its sole discretion to remove them, may adversely affect the ability of holders of the Shares to trade such securities. Due to the restrictions described below, investors in the Shares are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares. The Issuer and its agents will not be obligated to recognize any resale or other transfer of Shares made other than in compliance with the restrictions described below.

INVESTMENT RESTRICTIONS

U.S. Investors

Each U.S. person, and each person in the United States, who acquires Shares in the global offering will be required to deliver to the Issuer a duly executed Purchaser Letter. The form of the Purchaser Letter for Qualified Institutional Buyers, or QIBs, is attached hereto as Appendix A. The form of Purchaser Letter for Accredited Investors, or AIs, may be obtained from the Issuer. In the Purchaser Letter, each QIB will be required to represent and agree that:

Qualified Institutional Buyer and Qualified Purchaser Status

- It is (i) a "qualified institutional buyer" (a "QIB") as defined in Rule 144A, (ii) it is purchasing the Shares from one or more of the Joint Bookrunners only for its own account or for the account of another entity that is a QIB, (iii) it is not a broker-dealer which owns and invests on a discretionary basis less than $25 million in securities of unaffiliated issuers and (iv) it is not a participant-directed employee plan, such as a plan described in subsections (a)(l)(i)(D), (E) or (F) of Rule 144A.
- It is a "qualified purchaser" (a "QP") within the meaning of Section 2(a)(51) and related rules of the Investment Company Act.
- It understands that, subject to certain exceptions, to be a QP, it must have $25 million in "investments" as defined in Rule 2a51-l of the Investment Company Act.

Transfer Restrictions

- It understands and agrees that the Shares are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the Shares have not been and will not be registered under the Securities Act, that the Issuer has not been and will not be registered as an investment company under the Investment Company Act and that the Shares are subject to the transfer restrictions (the "Transfer Restrictions") set forth in this prospectus and in the Transferee Letter (defined below). It agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer the Shares, such Shares will be offered, resold, pledged or otherwise transferred only in compliance with the Transfer Restrictions.
- It understands that any certificates representing Shares acquired by it will bear a legend reflecting, among other things, the Transfer Restrictions.
- It agrees that, prior to any transfer of the Shares or any interest therein (other than in the case of an offshore transfer to a person not known by the transferor to be a U.S. person in accordance with Regulation S under the Securities Act—a "Regulation S Transfer"), the transferee must sign and deliver prior to such transfer a letter to the Issuer substantially in the form of the Transferee Letter attached as Appendix B to this prospectus (or in a form otherwise acceptable to the Issuer) (a "Transferee Letter"). In the case of a Regulation S Transfer, it must sign and deliver prior to such transfer to the Issuer a surrender letter substantially in the form of the Surrender Letter attached as Appendix C to this prospectus (or in a form otherwise acceptable to the Issuer) (a "Surrender Letter").

Investment Company Act

- It understands and acknowledges that the Issuer has not registered, and does not intend to register, as an "investment company" (as such term is defined in the Investment Company Act and related rules) and that the Issuer has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. persons described herein so that the Issuer will qualify for the exemption provided under Sections 3(c)(7) and 7(d) of the Investment Company Act and will have no obligation to register as an investment company even if it were otherwise determined to be an investment company.
- It understands and acknowledges that (i) the Issuer will not be required to accept for registration of transfer any Shares that are being acquired by a U.S. person who is not a QP, (ii) the Issuer may require any person who is required to be a QP, but is not, to transfer the Shares immediately in a manner consistent with the restrictions set forth in this prospectus, (iii) pending such transfer, the Issuer is authorized to suspend the exercise of the meeting and consent rights relating to the relevant Shares and the right to receive distributions in respect of the relevant Shares and (iv) if the obligation to transfer is not met, the Issuer is irrevocably authorized, without any obligation, to transfer such Shares in a manner consistent with the restrictions set forth in this prospectus and, if such Shares are sold, the Issuer shall be obliged to distribute the net proceeds to the entitled party.

ERISA

- No portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the Shares or beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" (within the meaning of Section 3(3) of ERISA) that is subject to Part 4 of Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code or any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) to cause the underlying assets of the Issuer to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Issuer and thereby subject the Issuer, the Master Fund, the Principal Manger or the Investment Manager (or other persons responsible for the investment and operation of the Issuer's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code), or (iii) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each of (i), (ii) and (iii), a "Plan").
- It understands and acknowledges that (i) transfers of the Shares or any interest therein to a person using assets of a Plan to purchase or hold such securities or any interest therein will be void and have no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Issuer or its agents and (ii) if such transfer is not treated as being void for any reason, the Shares represented thereby will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such securities.

The Offering

- It has received a copy of this prospectus. It understands and agrees that this prospectus speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.
- It is not purchasing the Shares with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act) that would be in violation of the securities laws of the United States or any state thereof.
- It became aware of the offering of the Shares and the Shares were offered to the investor (i) solely by means of this prospectus, (ii) by direct contact between it and the Issuer or (iii) by direct contact between it and one or more Joint Bookrunners. It did not become aware of, nor were the Shares offered to it by any other means, including, in each case, by any form of general solicitation or general advertising. In making the decision to purchase the Shares, it relied solely

on the information set forth in this prospectus and other information obtained by it directly from the Issuer or from one or more Joint Bookrunners as a result of any inquiries by the investor or one or more of the investor's advisors.

General

- It understands that there is no established market for the Shares in certificated form and that it is unlikely that such a public market will develop.
- It acknowledges that the Joint Bookrunners have acted as agents for the Issuer in connection with the sale. It consents to the actions of each of such Joint Bookrunners in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against any of such Joint Bookrunners in connection with any alleged conflict of interest arising from the engagement of each of the Joint Bookrunners as an agent of the Issuer with respect to the sale by the Joint Bookrunners of the Shares to it.
- It acknowledges that each of the Joint Bookrunners, the Issuer and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in its Purchaser Letter as a basis for exemption of the sale of the Shares under the Securities Act and under the securities laws of all applicable states, for compliance with the Investment Company Act and ERISA and for other purposes. It agrees to promptly notify the Issuer if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.
- It understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Shares.
- It agrees to provide, together with a completed and signed Purchaser Letter, a completed and signed Substitute IRS Form W-9. The Substitute IRS Form W-9 is attached to the form of Purchaser Letter.
- It has received, carefully read and understands this prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this prospectus or any other presentation or offering materials concerning the Shares to any persons within the United States or to any U.S. persons, nor will it do any of the foregoing. It understands that this prospectus is subject to the requirements of the Prospectus Directive and Euronext Amsterdam and the information herein, including any financial information, may be materially different from any disclosure that would be provided in a registered U.S. offering.
- It understands and acknowledges that none of the Issuer, the Master Fund or any of the Joint Bookrunners nor any of their respective affiliates, makes any representation as to the availability of any exemption under the Securities Act for the re-offer, re-sale, pledge or transfer of the Shares. It understands that the Shares to be purchased by it are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act.
- In making the investment decision with respect to the Shares, it has:
  (a) not relied on the Issuer, the Master Fund or the Joint Bookrunners or any of their respective affiliates (except to the extent of the information in this prospectus); and
  (b) had access to such financial and other information concerning the Issuer and the Shares as it deems necessary in connection with its decision to purchase the Shares.
- It has investigated the potential U.S. tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the Shares.
- The Investment Manager has filed a notice of exemption from registration requirements as a CPO with respect to the Issuer pursuant to CFTC Rule §4.13(a)(4). Consequently, the Investment Manager is not required to provide Shareholders with a disclosure document or certified annual report meeting the requirements of the CFTC rules otherwise applicable to registered CPOs. This prospectus has not been, and is not required to be, filed with the CFTC, and the CFTC has not reviewed or approved this prospectus and the offering of Shares.

Non-U.S. Investors

Each non-U.S. purchaser of the Shares in the global offering will be deemed to have represented, acknowledged and agreed as follows (terms used below that are defined in Regulation S under the Securities Act have the meanings given to them in Regulation S):

- It and the person, if any, for whose account it is acquiring the Shares are not U.S. persons (as defined in Rule 902 of Regulation S under the Securities Act) and are purchasing the Shares outside the United States in an offshore transaction meeting the requirements of Regulation S.
- It and the person, if any, for whose account it is acquiring the Shares are Non-United States persons as defined in CFTC Rule 4.7(a)(1)(iv). Under CFTC Rule 4.7(a)(1)(iv) "Non-United States person" means:
  - (a) a natural person who is not a resident of the United States;
  - (b) a partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a foreign jurisdiction and which has its principal place of business in a foreign jurisdiction;
  - (c) an estate or trust, the income of which is not subject to United States income tax regardless of source;
  - (d) an entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-U.S. persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTCs regulations by virtue of its participants being Non-United States persons; or
  - (e) a pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.
- It understands and agrees that the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to U.S. persons absent registration or an exemption from registration under the Securities Act.
- It understands and acknowledges the Issuer has not registered and will not register under the Investment Company Act and that the Issuer has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Issuer is not required and will not be required to be registered under the Investment Company Act.
- It understands that each global certificate for Shares offered and sold in the global offering pursuant to Regulation S will contain a legend substantially in the form set forth in this prospectus.
- No portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the Shares or beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" (within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code") or any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) to cause the underlying assets of the Issuer to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Issuer and thereby subject the Issuer, the Master Fund, or the Investment Manager (or other persons responsible for the investment and operation of the Issuer's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code), or (iii) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement.

- It has received, carefully read and understands this prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this prospectus or any other presentation or offering materials concerning the Shares to any persons within the United States or to any U.S. persons, nor will it do any of the foregoing and that it understands that this prospectus is subject to the requirements of the Prospectus Directive and all rules promulgated thereunder and the information therein, including any financial information, may be materially different from the disclosure that would be provided in a U.S. offering.
- It acknowledges that the Issuer reserves the right to make inquiries of any holder of the Shares or interests therein at any time as to such person's status under the U.S. securities laws, including without limitation whether it is a qualified purchaser as defined in Section 2(a)(51)(A) of the Investment Company Act, and to require any such person that has not satisfied the Issuer that such person is holding appropriately under the U.S. securities laws to transfer such Shares or interests immediately under the direction of the Issuer.
- It acknowledges that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.
- In respect of each person in a Relevant Member State (other than, in the case of clause (a) below, persons receiving offers contemplated in the prospectus in the Netherlands once this prospectus has been approved by the AFM in the Netherlands) who receives any communication in respect of, or who acquires any Shares under, the global offering that (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive and (b) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive (i) the Shares acquired by it in the global offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive or (ii) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.
- It acknowledges that the Issuer, the Master Fund, the Investment Manager and the Joint Bookrunners named in the prospectus and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Issuer and, if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

TRANSFER RESTRICTIONS

Shares in Certificated Form

Shares in certificated form can only be transferred

- to a transferee that delivers to the Issuer, with a copy to the Transfer Agent, a duly executed Transferee Letter in the form of the Transferee Letter attached as Appendix B to this prospectus (or in a form otherwise acceptable to the Issuer) or
- in an offshore transfer in accordance with Regulation S under the Securities Act to a person outside the United States and not known by the transferor to be a U.S. person in connection with which the transferor delivers to the Issuer, with a copy to the Transfer Agent, a duly executed Surrender Letter in the form of the Surrender Letter attached as Appendix C to this prospectus (or in a form otherwise acceptable to the Issuer).

Certificated Share Legend

Shares in certificated form will bear the following legend:

THE NON-VOTING SHARES EVIDENCED HEREBY (THE "SHARES") OF TETRAGON FINANCIAL GROUP LIMITED (THE "ISSUER") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S.

SECURITIES ACT"), OR ANY STATE SECURITIES LAWS IN THE UNITED STATES, AND THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT"). THESE SECURITIES AND ANY BENEFICIAL INTEREST THEREIN MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT:

(1) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S") TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, BY PRE-ARRANGEMENT OR OTHERWISE, UPON SURRENDER OF THIS SHARE CERTIFICATE AND DELIVERY OF A WRITTEN CERTIFICATION THAT SUCH TRANSFEROR IS IN COMPLIANCE WITH THE REQUIREMENTS OF THIS CLAUSE (1). THE TERMS "U.S. PERSON" AND "OFFSHORE TRANSACTION" SHALL HAVE THE MEANINGS SET FORTH IN REGULATION S;

(2) IN A TRANSACTION, THAT IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO A TRANSFEREE WHO IS WITHIN THE UNITED STATES OR A U.S. PERSON AND WHO DELIVERS A WRITTEN CERTIFICATION THAT:

(A) SUCH TRANSFEREE IS (I) ALL OF THE FOLLOWING: (A) A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT), (B) NOT A BROKER-DEALER THAT OWNS AND INVESTS ON DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS AND (C) NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A PLAN DESCRIBED IN SUBSECTIONS (A)(1)(I)(D), (E) OR (F) OF RULE 144A UNDER THE U.S. SECURITIES ACT; OR (II) ACQUIRING SUCH SECURITIES PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE RIGHT OF THE ISSUER TO REQUIRE DELIVERY OF AN OPINION OF COUNSEL AND TO REQUIRE DELIVER OF OTHER INFORMATION SATISFACTORY TO THE ISSUER AS TO THE AVAILABILITY OF SUCH EXEMPTION;

(B) SUCH TRANSFEREE IS A QUALIFIED PURCHASER (AS DEFINED IN THE U.S. INVESTMENT COMPANY ACT AND RELATED RULES, A "QUALIFIED PURCHASER");

(C) NO PORTION OF THE ASSETS USED BY SUCH TRANSFEREE TO PURCHASE, AND NO PORTION OF THE ASSETS USED BY SUCH TRANSFEREE TO HOLD, THE SHARES OR ANY BENEFICIAL INTEREST THEREIN CONSTITUTES OR WILL CONSTITUTE THE ASSETS OF (I) AN "EMPLOYEE BENEFIT PLAN" (WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"))THAT IS SUBJECT TO TITLE 1 OF ERISA, (II) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "U.S. INTERNAL REVENUE CODE") OR ANY OTHER STATE, LOCAL, NON-US OR OTHER LAWS OR REGULATIONS THAT WOULD HAVE THE SAME EFFECT AS REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR AND CODIFIED AT 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) TO CAUSE THE UNDERLYING ASSETS OF THE ISSUER TO BE TREATED AS ASSETS OF THAT INVESTING ENTITY BY VIRTUE OF ITS INVESTMENT (OR ANY BENEFICIAL INTEREST) IN THE ISSUER AND THEREBY SUBJECT THE ISSUER (OR OTHER PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE ISSUER'S ASSETS) TO LAWS OR REGULATIONS THAT ARE SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS CONTAINED IN TITLE 1 OF ERISA OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OR (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT (EACH OF (I), (II) AND (III), A "PLAN"); AND

(D) SUCH TRANSFEREE IS ACQUIRING THE SHARES AND ANY BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AS PRINCIPAL, OR FOR THE ACCOUNT OF ANOTHER PERSON WHO IS ABLE TO AND SHALL BE DEEMED TO MAKE THE REPRESENTATIONS, WARRANTIES AND AGREEMENTS IN THIS CLAUSE (2); OR

(3) TO THE ISSUER OR A SUBSIDIARY THEREOF.

EACH OF THE FOREGOING RESTRICTIONS IS SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PROPERTY OF THE HOLDER OF THESE SECURITIES OR THE PROPERTY OF ANY INVESTOR ACCOUNT OR ACCOUNTS ON BEHALF OF WHICH SUCH HOLDER HOLDS THESE SECURITIES BE AT ALL TIMES WITHIN THE CONTROL OF SUCH HOLDER OR OF SUCH ACCOUNTS AND SUBJECT TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.

THE ISSUER AND ITS AGENTS SHALL NOT BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THESE SECURITIES OR ANY BENEFICIAL INTEREST THEREIN MADE OTHER THAN IN COMPLIANCE WITH THESE RESTRICTIONS. THE ISSUER MAY REQUIRE ANY U.S. PERSON OR ANY PERSON WITHIN THE UNITED STATES WHO IS REQUIRED BY THESE RESTRICTIONS TO BE A QUALIFIED PURCHASER, BUT IS NOT, TO TRANSFER THESE SECURITIES OR SUCH BENEFICIAL INTEREST EITHER (A) TO A PERSON OR ENTITY THAT IS IN THE UNITED STATES OR A U.S. PERSON AND WHO IS A QUALIFIED PURCHASER OR (B) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION. PENDING SUCH TRANSFER, THE ISSUER IS AUTHORIZED TO SUSPEND THE EXERCISE OF THE MEETING AND CONSENT RIGHTS RELATING TO THE SHARES AND THE RIGHT TO RECEIVE DISTRIBUTIONS IN RESPECT OF THE SHARES. IF THE OBLIGATION TO TRANSFER IS NOT MET, THE ISSUER IS IRREVOCABLY AUTHORIZED, WITHOUT ANY OBLIGATION, TO TRANSFER THE SHARES IN A MANNER CONSISTENT WITH THESE RESTRICTIONS AND, IF SUCH SHARES ARE SOLD, THE ISSUER SHALL BE OBLIGED TO DISTRIBUTE THE NET PROCEEDS TO THE ENTITLED PARTY.

TRANSFERS OF THESE SECURITIES OR ANY INTEREST THEREIN TO A PERSON USING ASSETS OF A PLAN TO PURCHASE OR HOLD SUCH SECURITIES OR ANY INTEREST THEREIN WILL BE VOID AND OF NO FORCE AND EFFECT AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO SUCH PERSON NOTWITHSTANDING ANY INSTRUCTION TO THE CONTRARY TO THE ISSUER OR ITS AGENTS. IF ANY SUCH TRANSFER IS NOT TREATED AS BEING VOID FOR ANY REASON, THESE SECURITIES OR SUCH INTEREST THEREIN WILL AUTOMATICALLY BE TRANSFERRED TO A CHARITABLE TRUST FOR THE BENEFIT OF A CHARITABLE BENEFICIARY AND THE PURPORTED HOLDER WILL ACQUIRE NO RIGHT IN THESE SECURITIES.

Shares in Non-Certificated Form

Shares in non-certificated or book-entry form may be freely transferred through the facilities of Euronext Amsterdam N.V.'s Eurolist by Euronext Amsterdam, or of another designated offshore securities market (as defined in Regulation S under the Securities Act). Any person acquiring Shares in non-certificated form will be deemed to have represented, acknowledged and agreed as follows:

- The Shares have not been, and will not be, registered under the Securities Act and accordingly, may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, U.S. persons unless registered or an exemption from registration is available.
- The Issuer has not registered and will not register under the Investment Company Act and the Issuer has put in place restrictions to ensure that the Issuer is not required and will not be required to be registered under the Investment Company Act.
- If it is a U.S. person, it is, and each account for which it is purchasing which is a U.S. person is, a "qualified purchaser" within the meaning of Section 3(c)(7) of the Investment Company Act.
- No portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the Shares or beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Part 4 of

Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code") or any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) to cause the underlying assets of the Issuer to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Issuer and thereby subject the Issuer, the Master Fund, or the Investment Manager (or other persons responsible for the investment and operation of the Issuer's assets) to laws of regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code), or (iii) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement.

Global Certificate Legend

Any global certificate representing the Shares held in non-certificated form will each contain the following legend:

TETRAGON FINANCIAL GROUP LIMITED (THE "ISSUER") HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT"). THIS SECURITY AND ANY BENEFICIAL INTEREST HEREIN MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS, EXCEPT TO PERSONS WHO ARE QUALIFIED PURCHASERS (AS DEFINED IN THE U.S. INVESTMENT COMPANY ACT AND RELATED RULES, A "QUALIFIED PURCHASER"). BY ACQUIRING THIS SECURITY OR A BENEFICIAL INTEREST HEREIN, EACH ACQUIRER SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE WITH THE ISSUER THAT: (1) IT IS EITHER: (A) OUTSIDE THE UNITED STATES AND NOT A U.S. PERSON OR (B) A QUALIFIED PURCHASER; (2) IT WILL NOT OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR A BENEFICIAL INTEREST HEREIN IN THE UNITED STATES OR TO A U.S. PERSON OTHER THAN TO A QUALIFIED PURCHASER; AND (3) NO PORTION OF THE ASSETS USED BY IT TO PURCHASE, AND NO PORTION OF THE ASSETS USED BY IT TO HOLD, THIS SECURITY OR A BENEFICIAL INTEREST HEREIN CONSTITUTES OR WILL CONSTITUTE THE ASSETS OF (I) AN "EMPLOYEE BENEFIT PLAN" (WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO TITLE 1 OF ERISA, (II) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "U.S. INTERNAL REVENUE CODE") OR ANY OTHER STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT WOULD HAVE THE SAME EFFECT AS REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR AND CODIFIED AT 29 C.F.R. SECTION 2510.3-101 TO CAUSE THE UNDERLYING ASSETS OF THE ISSUER TO BE TREATED AS ASSETS OF THAT INVESTING ENTITY BY VIRTUE OF ITS INVESTMENT (OR ANY BENEFICIAL INTEREST) IN THE ISSUER AND THEREBY SUBJECT THE ISSUER (OR OTHER PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE ISSUER'S ASSETS) TO LAWS OR REGULATIONS THAT ARE SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS CONTAINED IN TITLE I OF ERISA OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OR (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT (EACH, A "PLAN"). THE ISSUER AND ITS AGENTS SHALL NOT BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN MADE OTHER THAN IN COMPLIANCE WITH THESE RESTRICTIONS.

THE ISSUER AND ITS AGENTS MAY REQUIRE ANY PERSON WITHIN THE UNITED STATES OR ANY U.S. PERSON WHO IS REQUIRED UNDER THESE RESTRICTIONS TO BE A QUALIFIED PURCHASER BUT WHO IS NOT A QUALIFIED PURCHASER AT THE TIME IT ACQUIRES THIS SECURITY OR A BENEFICIAL INTEREST HEREIN TO TRANSFER THIS SECURITY OR SUCH BENEFICIAL INTEREST EITHER (A) TO A PERSON OR ENTITY THAT IS

IN THE UNITED STATES OR A U.S. PERSON AND WHO IS A QUALIFIED PURCHASER OR (B) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION.

TRANSFERS OF THIS SECURITY OR ANY INTEREST HEREIN TO A PERSON USING ASSETS OF A PLAN TO PURCHASE OR HOLD THIS SECURITY OR ANY INTEREST HEREIN WILL BE VOID AND OF NO FORCE AND EFFECT AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO SUCH PERSON NOTWITHSTANDING ANY INSTRUCTION TO THE CONTRARY TO THE ISSUER OR ANY OF ITS AGENTS. IF ANY SUCH TRANSFER IS NOT TREATED AS BEING VOID FOR ANY REASON, THIS SECURITY OR SUCH INTEREST HEREIN WILL AUTOMATICALLY BE TRANSFERRED TO A CHARITABLE TRUST FOR THE BENEFIT OF A CHARITABLE BENEFICIARY AND THE PURPORTED HOLDER WILL ACQUIRE NO RIGHT IN THIS SECURITY.

THE TERMS "U.S. PERSON" AND "OFFSHORE TRANSACTION" SHALL HAVE THE MEANINGS SET FORTH IN REGULATION S UNDER U.S. SECURITIES ACT OF 1933, AS AMENDED.

CERTAIN ERISA CONSIDERATIONS

General

The following is a summary of certain considerations associated with the purchase of the Shares by (i) an "employee benefit plan" (within the meaning of Section 3(3) of ERISA) that is subject to part 4 of Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code or provisions under any Similar Law, and (iii) entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each of (i), (ii) and (iii), a "Plan"). This summary is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Shares on behalf of, or with the assets of, any employee benefit plan, consult with their counsel to determine whether such employee benefit plan is subject to part 4 of Title I of ERISA, Section 4975 of U.S. Internal Revenue Code or any Similar Laws.

ERISA and U.S. Internal Revenue Code do not define "plan assets". However, the Plan Asset Regulations generally provide that when a Plan subject to Part 4 of Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code (an "ERISA Plan") acquires an equity interest in an entity that is neither a "publicly offered security" (as defined in the Plan Asset Regulations) nor a security issued by an investment company registered under the Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by "benefit plan investors" is not significant or that the entity is an "operating company," in each case as defined in the Plan Asset Regulations. For purposes of the Plan Asset Regulations, equity participation in an entity by "benefit plan investors" will not be significant if they hold, in the aggregate, less than 25% of the value of each class of equity interests of such entity, excluding equity interests held by any person (other than a "benefit plan investor") who has discretionary authority or control with respect to the assets of the entity or who provides investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates of such person. For purposes of this 25% test, "benefit plan investors" include employee benefit plans subject to part 4 of Title I of ERISA or Section 4975 of U.S. Internal Revenue Code, including "Keogh" plans, individual retirement accounts and pension plans maintained by U.S. corporations, as well as any entity whose underlying assets are deemed to include "plan assets" under the Plan Asset Regulations (*e.g.*, an entity 25% or more of the value of any class of equity interests of which is held by "benefit plan investors" and which does not satisfy another exception under the Plan Asset Regulations).

It is anticipated that (i) the Shares will not constitute "publicly offered securities" for purposes of the Plan Asset Regulations, (ii) the Issuer will not be an investment company registered under the Investment Company Act and (iii) the Issuer will not qualify as an operating company within the meaning of the Plan Asset Regulations. In addition, the Issuer will not be able to monitor whether investment in the Shares by "benefit plan investors" will be "significant" for purposes of the Plan Asset Regulations.

Plan Asset Consequences

If the Issuer's assets were deemed to be "plan assets" of an ERISA Plan whose assets were invested in the Issuer, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by the Issuer, and (ii) the possibility that certain transactions that the Issuer, the Master Fund or any of its subsidiaries might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of U.S. Internal Revenue Code and might have to be rescinded. A non-exempt prohibited transaction, in addition to imposing potential liability upon fiduciaries of the ERISA Plan, may also result in the imposition of an excise tax under U.S. Internal Revenue Code upon a "party in interest" (as defined in ERISA), or "disqualified person" (as defined in U.S. Internal Revenue Code), with whom the ERISA Plan engages in the transaction.

Fiduciaries of such Plans should consult with their counsel before purchasing or holding the Shares.

Because of the foregoing, the Shares may not be purchased or held by any person investing "plan assets" of any Plan other than Converted Shareholders.

Representation and Warranty

In light of the foregoing, by accepting an interest in the Shares, each Shareholder (other than a Converted Shareholder with respect to Shares acquired by it in the Share Conversion Transactions or in an Exchange) will be deemed to have represented and warranted, or will be required to represent and warrant in writing, that no portion of the assets used to purchase or hold the Shares constitute or will constitute the assets of any Plan. Any purported purchase or holding of the Shares in violation of the requirement described in the foregoing representation will be void. If such purchase is not treated as being void for any reason, the Shares will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in the Shares.

PART IX—AUDITED FINANCIAL INFORMATION OF THE COMPANY

The audited financial information contained in this Part IX is derived from the Issuer's and the Master Fund's financial statements for the period from June 23, 2005 to December 31, 2005 and the year ended December 31, 2006, that have been audited by KPMG Channel Islands Limited.

Basis of Financial Information

The financial information set out below has been prepared in accordance with U.S. GAAP.

Contents

Issuer:

Page

Master Fund:

Explanatory Note Regarding Certain Defined Terms

Certain defined terms used in the Issuer and Master Fund financial statements and related information contained in this Part IX have different meanings then when used in the other sections of the prospectus. For example:

- The Issuer and Master Fund financial statements reflect the historical name of the Issuer, Tetragon Credit Income Fund Limited, and the historical name of the Master Fund, Tetragon Credit Income Master Fund Limited. The Issuer is expected to change its name from Tetragon Credit Income Fund Limited to Tetragon Financial Group Limited and the Master Fund is expected to change its name from Tetragon Credit Income Master Fund Limited to Tetragon Financial Group Limited on or about March 30, 2007.
- In the Issuer financial statements, the term "Fund" refers to the Issuer.
- In the Master Fund financial statements, the term "Fund" refers to the Master Fund.
- In both the Issuer and the Master Fund financial statements, the term "Conversion" refers to the conversion of the Issuer into a closed-ended fund and the conversion of all participating Shares of

the Issuer into a new class of Shares having rights identical to those to be issued in the global offering.

- In both the Issuer and the Master Fund financial statements, references to the "Offering memorandum" of the Master Fund refer to the Offering memorandum constituting the scheme particulars of the Master Fund at the relevant time.

TETRAGON CREDIT INCOME FUND LIMITED
REPORT OF INDEPENDENT AUDITORS

Independent auditors' report to the members of Tetragon Credit Income Fund Limited

We have audited the financial statements (the "financial statements") of Tetragon Credit Income Fund Limited for the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005 which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the Statement of Cash Flows and the related notes on pages 17 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994 and rule 4.02(3) of the Collective Investment Schemes (Class B) Rules 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable Guernsey law and accounting principles generally accepted in the United States of America as set out in the statement of directors' responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994, The Collective Investment Schemes (Class B) Rules 1990 and the principal documents. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

TETRAGON CREDIT INCOME FUND LIMITED

REPORT OF INDEPENDENT AUDITORS (Continued)

Opinion

In our opinion the financial statements:

- present fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America, of the state of the company's affairs as at 31 December 2006 as at 31 December 2006 and 31 December 2005 and of its result for the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994, The Collective Investment Schemes (Class B) Rules 1990 and the principal documents.

/s/ KPMG Channel Islands Limited

Chartered Accountants

Guernsey

19 February 2007

TETRAGON CREDIT INCOME FUND LIMITED

STATEMENT OF ASSETS AND LIABILITIES
as at 31 December 2006 and 31 December 2005

	Note	2006	2005
		US$	US$
Assets			
Cash and cash equivalents		269	—
Investment in Master Fund	3	490,175,214	31,024,522
Total assets		490,175,483	31,024,522
Liabilities			
Accrued audit fees		12,600	—
Accrued directors' fees		14,701	—
Accrued custodian fees		8,463	—
Accrued incentive fee	4	5,600,924	236,063
Equalization credit	5	7,579,271	30,298
Total liabilities		13,215,959	266,361
Net assets		476,959,524	30,758,161
		Number	Number
Shares outstanding			
Class A	6	3,501,654	298,485
Class B	6	10,473	2,500
Class C	6	522,374	—
Net asset value per share			
Class A	6	US$117.84	US$102.18
Class B	6	US$122.53	US$103.08
Class C	6	US$120.67	—

On behalf of the Board of Directors:

Rupert Dorey

David Jeffreys

Date: 19 February 2007

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

TETRAGON CREDIT INCOME FUND LIMITED

STATEMENT OF OPERATIONS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

	Note	Year ended 31 December 2006	Period from 23 June 2005 to 31 December 2005
		US$	US$
Direct investment income			
Interest income		5,641	—
Direct investment income		5,641	—
Investment income allocated from the Master Fund			
Interest income		39,196,748	1,820,668
Investment income allocated from the Master Fund		39,196,748	1,820,668
Total investment income		39,202,389	1,820,668
Direct expenses			
Management fees	7	(3,272,863)	—
Incentive fee (relates only to Class A and Class C Shares)	4	(5,600,924)	(236,063)
Custodian fees		(45,134)	—
Audit fees		(12,600)	—
Directors' fees		(56,213)	—
Other operating expenses		(3,322)	—
Direct expenses		(8,991,056)	(236,063)
Operating expenses allocated from the Master Fund			
Management fees	7	(796,943)	(224,013)
Administration fees		(301,802)	(43,030)
Custodian fees		—	(12,232)
Legal and professional fees		(117,089)	(43,920)
Audit fees		(86,374)	(53,774)
Directors' fees		(39,609)	(17,376)
Organizational costs		—	(479,595)
Other operating expenses		(32,806)	(820)
Interest expense		(4,896,718)	(194,825)
Operating expenses allocated from the Master Fund		(6,271,341)	(1,069,585)
Total operating expenses		(15,262,397)	(1,305,648)
Net investment income		23,939,992	515,020
Net realized and unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund			
Net realized gain / (loss) from:			
Investments		—	13,444
Foreign currency transactions		(865,113)	341,105
Credit default swaps		(262,318)	—
		(1,127,431)	354,549
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		(15,057)	(360,240)
Forward foreign exchange contracts		(1,730,924)	(25,615)
Credit default swaps		(1,036,477)	—
Translation of assets and liabilities in foreign currencies		3,774,233	54,745
		991,775	(331,110)
Net realized and unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund		(135,656)	23,439
Net increase in net assets resulting from operations		23,804,336	538,459

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

TETRAGON CREDIT INCOME FUND LIMITED

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

	Year ended 31 December 2006	Period from 23 June 2005 to 31 December 2005
	US$	US$
Total investment income	39,202,389	1,820,668
Total operating expenses	(15,262,397)	(1,305,648)
Net realized gain / (loss) from investments and foreign currencies allocated from the Master Fund	(1,127,431)	354,549
Net unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund	991,775	(331,110)
Net increase in net assets resulting from operations	23,804,336	538,459
Class A subscriptions	361,513,027	29,969,702
Class B subscriptions	884,000	250,000
Class C subscriptions	60,000,000	—
Increase in net assets resulting from net share transactions	422,397,027	30,219,702
Total increase / (decrease) in net assets	446,201,363	30,758,161
Net assets at start of year / inception	30,758,161	—
Net assets at end of year / period	476,959,524	30,758,161

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

TETRAGON CREDIT INCOME FUND LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

	Year ended 31 December 2006	Period from 23 June 2005 to 31 December 2005
	US$	US$
Operating and investing activities		
Net increase in net assets resulting from operations	23,804,336	538,459
Adjustments for:		
Net unrealized appreciation on investments in Master Fund	(32,789,751)	(774,522)
Operating cash flows before movements in working capital	(8,985,415)	(236,063)
Increase in accrued expenses	5,400,625	236,063
Cash flows from operations	(3,584,790)	—
Net purchase of investments	(426,360,941)	(30,250,000)
Cash outflows from operating and investing activities	(429,945,731)	(30,250,000)
Financing activities		
Proceeds from issue of redeemable preference shares	422,397,027	30,219,702
Increase in equalization credit payable	7,548,973	30,298
Cash inflows from financing activities	429,946,000	30,250,000
Net increase / (decrease) in cash and cash equivalents	269	—
Cash and cash equivalents at beginning of year / period	—	—
Cash and cash equivalents at end of year / period	269	—

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

TETRAGON CREDIT INCOME FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 1 General Information

Tetragon Credit Income Fund Limited (the "Fund") is a Guernsey open-ended investment company incorporated on 23 June 2005 and is authorized by the Guernsey Financial Services Commission as a Class B Scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

The registered office of the Fund is Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands.

On 3 April 2006 the Fund changed its name from Polygon Credit Income Fund Limited to Tetragon Credit Income Fund Limited.

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

The investment objective of the Fund is to achieve capital appreciation primarily from investments (directly or indirectly) in the "equity" or residual tranches of a broad range of CDO (Collaterized Debt Obligations) products and other securitization vehicles.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("USGAAP").

The Fund's investment in the Master Fund is valued at fair value, which is the Fund's proportionate interest in the net assets of the Master Fund. The performance of the Fund is directly affected by the performance of the Master Fund. The Fund's Statement of Operations includes its pro-rata share of each type of gain, loss, income and expense of the Master Fund's Statement of Operations. Attached are the audited financial statements of the Master Fund, which are an integral part of these financial statements. As at 31 December 2006, the Fund had 81% (2005: 37%) ownership interest in the Master Fund.

The financial statements are presented in United States Dollars.

Use of Estimates

The financial statements, prepared in conformity with USGAAP, require management to make estimates and assumptions that may affect the reported amounts of assets and liabilities. Actual amounts could differ from the estimates included in the financial statements.

Valuation of Investments

The value of the investment in the Master Fund is based on the accounting net asset value per share obtained from the Master Fund's administrator.

Expenses

Expenses, including management fees, incentive fees, administration fees and prime broker fees, are recognized in the statement of operations on an accrual basis.

Income taxes

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP600 per annum.

Change in reporting framework

In 2005 financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). During 2006, the directors decided to change from preparing the financial statements in accordance with IFRS to preparing them in accordance with US GAAP as they believe that financial

TETRAGON CREDIT INCOME FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 2 Significant Accounting Policies (Continued)

statements prepared under US GAAP are more meaningful than those prepared on an IFRS basis. The 2005 comparatives in these financial statements have been amended from the amounts originally included in the financial statements for the period ended 31 December 2005 to comply with US GAAP. A summary of the comparison between 2005 IFRS and 2005 US GAAP is as follows:

	USGAAP 2005	IFRS 2005
	US$	US$
Net assets attributable to redeemable preference shares	30,758,161	31,175,107
Net increase in net assets attributable to redeemable preference shares resulting from operations	538,459	955,405
Cash outflows from operating and investing activities	(30,250,000)	(30,250,000)
Cash inflows from financing activities	30,250,000	30,250,000

Under US GAAP, preference shares in the Company are classified as equity, as the preference shares are not mandatorily redeemable as defined in FAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. Under IFRS, as all redeemable preference shares issued by the Company provide the investors the right to require redemption for cash at the value proportionate to the investor's share in the Company's net assets at the redemption date, then in accordance with IAS 32, such instruments were presented as a financial liability for the present value of the redemption amount.

Note 3 Investment in Master Fund

The Master Fund at the year end held investments in securities, at fair value, cash and cash equivalents, forward contracts, credit default swaps, repurchase/swap agreements and other receivables and payables. As at 31 December 2006 the Fund had an investment of US$490,175,214 (2005: US$31,024,522) in the Master Fund with a cost of US$456,610,941 (2005: US$30,250,000).

In accordance with the Offering memorandum of the Master Fund, for the purposes of calculating a net asset value at which shareholders may redeem their shares, the organizational/formation costs of the Master Fund are amortized on a straight line basis over a period of up to three years from the date on which the Master Fund commenced business. Under US GAAP it is not permitted to amortize these costs and they were charged to expenses as incurred.

Note 4 Incentive fee

The Fund pays the Principal Manager an incentive fee in respect of the Class A Shares and Class C Shares for each Calculation Period (a period of twelve months ending on 31 December in each year, or as otherwise determined by the Directors, save for the first calculation period which commenced upon the first allotment of Shares and ended on 31 December 2005) calculated on a Share by Share basis.

In respect of each Class A Share, the Incentive Fee is equal to 20 percent of the increase in the Net Asset Value per Class A Share during the Calculation Period above the Reference Net Asset Value per Share.

In respect of each Class C Share, the Incentive Fee is equal to 25 percent of the increase in the Net Asset Value per Class C Share during the Calculation Period above the Reference Net Asset Value of that Share plus 8 percent per annum thereon (the "Hurdle"). If the Calculation Period is less than one year, the Hurdle is pro rated. If the Hurdle is not met in any Calculation Period (and no Incentive Fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

The Reference Net Asset Value per Class A Share or Class C Share is the greater of the Net Asset Value per Share of such Class at the time of issue or acquisition of that Share and the highest Net Asset Value per Share at the end of a Calculation Period (other than the current Calculation Period) subsequent to the issue or acquisition of the Share.

TETRAGON CREDIT INCOME FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 4 Incentive fee (Continued)

The Incentive Fee in respect of each Calculation Period is calculated by reference to the Net Asset Value before deduction of any accrued Incentive Fee. The Incentive Fee is normally payable in arrears within 14 calendar days of the end of the Calculation Period. Class A or Class C Shares redeemed other than at the end of a Calculation Period will be treated as if the date of redemption was the end of the Calculation Period and the above provisions will apply.

Class B Shares are not subject to the Incentive Fee.

The Incentive Fee for the year ended 31 December 2006 was US$5,600,924 (period from 23 June 2005 to 31 December 2005: US$236,063), all of which was outstanding at the year end (31 December 2005: US$236,063).

Note 5 Equalization credit

If shares are purchased at a time when the net asset value per share is greater than the High Watermark, the shareholder will be required to pay, in addition to the net asset value per share, an amount equal to 20% of the appreciation from the High Watermark to the net asset value at the date of purchase (an "Equalization Credit"). The Equalization Credit may then appreciate or depreciate based on the performance of the net asset value of the Fund during the year but does not appreciate beyond its initial value. Immediately following the end of each fiscal year in which the net asset value per share exceeds the High Watermark, the remaining Equalization Credits, if any, are applied to purchase additional shares for the respective shareholder. As of 31 December 2006, the Equalization Credit payable was US$7,579,271 (31 December 2005: US$30,298).

Note 6 Share Capital

Authorized

The Fund's authorized share capital is US$50,000 divided into 10 Founder Shares, par value US$0.001 per share and 49,999,990 unclassified shares, par value US$0.001 per share. Unclassified shares are available for issue either as Class A, Class B, Class C or Nominal Shares. All shares are in registered form and no share certificates will be issued.

Founder Shares

The 10 Founder Shares in issue were issued at par and are beneficially owned by the Principal Manager. The Founder Shares have been created so that other types of shares may be issued. To qualify as participating redeemable preference shares, the Class A Shares, the Class B Shares and the Class C Shares are required under Guernsey law to have preference over some other class of share capital. The Founder Shares are not redeemable and carry no right to dividends or to vote (unless there are no Shares issued in which case each Founder Share carries one vote). The Founder Shares do not form part of the net asset value of the Fund and are thus disclosed in the financial statements by way of this note only.

Class A Shares, Class B Shares and Class C Shares

Class B Shares may only be offered to (i) employees or affiliates of the Investment Manager, including without limitation members of their immediate families and trusts or other entities for their benefit and (ii) collective investment schemes managed by Polygon Credit Management (Guernsey) Limited, Polygon Credit Management LP or their affiliates. Class B Shares will be entitled to the same rights and privileges as the Class A Shares and Class C Shares, except that Class B Shares will not be subject to the Incentive Fee.

Class A Shares, Class B Shares and Class C Shares carry an equal right to any dividends or other distributions. At any meeting of shareholders of the Fund resolutions may be passed by a show of hands at the meeting unless a poll is required. Subject to any special rights or restrictions attached to a class of

Note 6 Share Capital (Continued)

shares: (i) on a show of hands, every shareholder who holds a Class A Share, a Class B Share, Class C Share or a Nominal Share who is present in person or by proxy shall have one vote; and (ii) on a poll, every shareholder who is present in person or by proxy shall be entitled to one vote in respect of each Class A Share, Class B Share or Class C Share held by him and to one vote in respect of all Nominal Shares held by him.

The minimum initial subscription for Class A Shares, Class B Shares and Class C Shares is US$5 million. Subsequent subscriptions are for a minimum of US$1 million. The Directors may, in their discretion, accept a lesser amount, subject to an absolute minimum of US$100,000.

Class A Shares and Class B Shares are non-redeemable for the first year following the date of entry in the register. Thereafter, Class A Shares and Class B Shares may generally be redeemed semi-annually as of the first business day following 31 December and 30 June each year (a "Redemption Day", "Class A Redemption day" or "Class B Redemption Day"). Written notice of redemption must be received by the Administrator 90 days prior to the Redemption Day.

Class C Shares were initially available for subscription by Qualified Investors (as defined by the Guernsey Financial Services Commission) on the first available Subscription Day (the first business day of the months unless otherwise determined by the Directors) at a price equal to the prevailing Net Asset Value per Class A Share. Thereafter, Class C Shares were available for subscription by Qualified Investors on Subscription Days at the prevailing Net Asset Value per Class C Share.

Class C Shares are non-redeemable by the shareholder for the first three years following the date of subscription. Thereafter, Class C Shares may be redeemed as of the first business day following the earlier of 31 December or 30 June (a "Class C Redemption Day"). In lieu of redeeming its Class C Shares on the relevant Class C Redemption Day, each holder may elect, subject to the consent of the Directors, to exchange its Class C Shares (net of any applicable Incentive Fee) for Class A Shares having an equivalent Net Asset Value, effective as of such Class C Redemption Day. The one-year lock-up period applicable to Class A Shares shall not apply to the Class A Shares received in such exchange, and such Class A Shares may generally be redeemed as of the next Class A Redemption Day. If a holder of Class C Shares does not elect to redeem or exchange its Class C Shares on the relevant Class C Redemption Day, such Class C Shares will be subject to successive lock-up periods of three years and, accordingly, may only be redeemed (or exchanged for Class A Shares) as of each three-year anniversary of the relevant Class C Redemption Day.

Nominal Shares

The Nominal Shares can only be issued at par value to the Principal Manager. The Nominal Shares carry no right to dividends. In a winding-up, they have right to repayment only of paid-up capital after repayment of the paid-up capital on the Class A Shares, Class B and Class C Shares. The Principal Manager is obliged to subscribe for Nominal Shares in cash at par value when Class A Shares, Class B and Class C Shares are redeemed to ensure that funds are available to redeem the nominal amount paid-up on

TETRAGON CREDIT INCOME FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 6 Share Capital (Continued)

each Share unless the Directors decide that the nominal amount of such Class A Shares, Class B and Class C Shares is to be redeemed out of profits.

	Founder Shares	Nominal Shares
	No.	No.
Shares in issue at inception	—	—
Issued	10	—
Redeemed	—	—
Shares in issue at 31 December 2005	10	—
Issued	—	—
Redeemed	—	—
Shares in issue at 31 December 2006	10	—

	Class A	Class B	Class C
	No.	No.	No.
Shares in issue at inception	—	—	—
Issued	298,485.068	2,500.000	—
Redeemed	—	—	—
Shares in issue at 31 December 2005	298,485.068	2,500.000	—
Issued	3,203,168.560	7,973.349	522,374.326
Redeemed	—	—	—
Shares in issue at 31 December 2006	3,501,653.628	10,473.349	522,374.326

The net asset value (NAV) per Share as at 31 December 2006 for each share class is as follows:

	Class A	Class B	Class C
	US$	US$	US$
Total Net Asset Value	412,642,516	1,283,344	63,033,654
Net Asset Value per Share	117.84	122.53	120.67

The net asset value (NAV) per Share as at 31 December 2005 for each share class is as follows:

	Class A	Class B	Class C
	US$	US$	US$
Total Net Asset Value	30,500,469	257,692	—
Net Asset Value per Share	102.18	103.08	—

Note 7 Related party transactions

Polygon Credit Management (Guernsey) Limited (the "Principal Manager"), a company incorporated in Guernsey with limited liability under the Companies Law, will serve as the principal manager of the Fund. The Principal Manager has appointed Polygon Credit Management LP, a Delaware limited partnership (the "Investment Manager"), to manage the Fund's investment programmes. The investment activities of the Investment Manager are subject to the overall supervision, control and policies of the Directors. The Investment Manager will be compensated by the Principal Manager and not by the Fund.

For the period from inception to 30 June 2006 the management fee was charged to the Master Fund, and the Fund as a shareholder in the Master Fund, bore its proportionate share of management fees payable by the Master Fund (year ended 31 December 2006: US$796,943; period from 23 June 2005 to

TETRAGON CREDIT INCOME FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 7 Related party transactions (Continued)

31 December 2005: US$224,013). As a result of the creation of a new Feeder share class with a different fee structure the management fee now has to be calculated at the Feeder level. With effect from 1 July 2006 the management fee is charged directly to the Fund. The Principal Manager is entitled to receive management fees equal to (i) two percent (2%) per annum of the Net Asset Value per Class A and Class B Share and (ii) one and one-half percent (1.5%) per annum of the Net Asset Value per Class C Share, in each case calculated on a Share-by-Share basis and payable monthly in advance prior to the deduction of any accrued incentive fees applicable to such Class.

For the period from inception to 31 December 2005 all expenses relating to the Master Fund and the two Feeders were charged to the Master Fund, and the Fund as a shareholder in the Master Fund, bore its proportionate share. With effect from 1 January 2006 expenses which relate wholly and specifically to the individual Feeders are charged to the Feeder to which they relate. These include custodian, directors', audit, and other legal and regulatory fees.

The Fund pays the Principal Manager an incentive fee as disclosed in Note 4.

The Fund invests substantially all of its assets in Tetragon Credit Income Master Fund Limited, a Guernsey based open-ended investment company which the same Principal Manager and Investment Manager as the Fund.

Class B Shares may only be offered to (i) employees or affiliates of the Investment Manager, including without limitation members of their immediate families and trusts or other entities for their benefit and (ii) collective investment schemes managed by Polygon Credit Management (Guernsey) Limited, Polygon Credit Management LP or their affiliates. Class B Shares will be entitled to the same rights and privileges as the Class A Shares and Class C Shares, except that Class B Shares will not be subject to the Incentive Fee.

Patrick Dear holds 2,500 Class B Shares as at 31 December 2006 and 31 December 2005. No Director held a material interest in Class A Shares.

Note 8 Reconciliation of Net Asset Value

In accordance with the Offering memorandum of the Master Fund, for the purposes of calculating a net asset value at which shareholders of the Master Fund may redeem their shares, the organizational/ formation costs of the Master Fund are amortized on a straight line basis over a period of up to three years from the date on which the Fund commenced business. Under US GAAP it is not permitted to amortize these costs and they were charged to expenses as incurred.

The impact on the net asset valuation of the Fund is as follows:

	2006	2005
	US$	US$
Net Asset Valuation as determined in accordance with the Offering Memorandum (for redemption purposes)	477,528,031	31,175,107
Fund's allocation of amortization of Organizational Costs	(568,507)	(416,946)
Net Asset Valuation per financial statements	476,959,524	30,758,161

Note 9 Post balance sheet events

When the Fund was launched in 2005, it was recognized that the Fund and/or its Master Fund, Tetragon Credit Income Master Fund Limited, may in the future seek to list its shares on a recognized exchange. In that event, there may be an uplift in value of such shares, or "listing premium", reflecting goodwill attributable to the business at the time of listing. In connection with the Initial Offer, the Master Fund issued to the Principal Manager for $6 a special class of shares ("Growth Shares"), which will be

TETRAGON CREDIT INCOME FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 9 Post balance sheet events (Continued)

redeemable at the holder's option only in the event of a listing of the Master Fund or its feeders. The purpose of the Growth Shares is to provide a mechanism to reward the Principal Manager, equivalent to a 20% incentive fee, for value delivered to shareholders.

The Growth Shares are Redeemable Preference Shares and are freely assignable by the holder. Prior to any listing of Redeemable Preference Shares in the Master Fund or Tetragon Credit Income Fund Limited, the Growth Shares shall have no right to participate in any dividends or distributions by the Master Fund. The Growth Shares shall entitle each holder to one vote on all matters on which the Redeemable Preference Shares are entitled to vote. The consent of each holder of Growth Shares shall be required for any amendment or modification to the terms of the Growth Shares.

The Fund proposes to convert into a closed-ended fund and to engage in an initial public offering ("IPO") and listing on Eurolist by Euronext Amsterdam. Conditional upon the occurrence of the events set forth below, immediately prior to the closing of the IPO, the Fund shall be converted into a closed-ended fund and all participating shares of the Fund that are outstanding at such time will be automatically converted into a new class of shares having rights identical to those to be issued in the IPO (the "Conversion"). The Conversion shall be conditional upon (i) requisite shareholder approval, (ii) the approval of parallel amendments to the U.S. Feeder Fund limited partnership agreement, (iii) the admission to trading of the Fund's shares on Eurolist by Euronext Amsterdam on an "as-if-and-when-issued-or-delivered" basis and (iv) the Fund certifying that all conditions to the listing and the closing of the IPO (other than the effectiveness of the shareholder resolution effecting the Conversion) have been satisfied or waived. Any existing investors who do not wish to continue as shareholders after the IPO and listing may elect a one-time pre-IPO redemption at net asset value. If the IPO closes the Fund will bear the costs, however if the IPO does not close the Investment Manager will bear these costs.

It is envisaged that holders of the Growth Shares would receive new shares with a value equal to 20% of the premium uplift, if any, adjusted for the cost of the IPO, in the Fund. If any such shares are issued to holders of the growth shares, it will reduce the number of shares allocated to pre-existing holders in the conversion of existing shares, but will not change the total number of shares outstanding immediately after the conversion and IPO. Following the IPO the Growth Shares will cease to be outstanding.

When and if the IPO happens, any transfer of value between the shareholders will be appropriately recognized.

Since the year end the Fund has received net additional inflows of US$83,672,985.

Note 10 Recent changes to USGAAP

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The tax benefit recognized is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 is effective for fiscal years beginning after 15 December 2006. The adoption of FIN 48 is not expected to have a material impact on the Fund's financial statements.

In February 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 155, "Accounting for Certain Hybrid Financial Instruments", which amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS 155 provides, among other things, that (i) for embedded derivatives which would otherwise be required to be bifurcated from their host contracts and accounted for at fair value in accordance with SFAS 133 an entity may make an irrevocable election, on an instrument-by-instrument basis, to measure the hybrid financial instrument at fair value in its entirety, with changes in fair value recognized in earnings and (ii) concentrations of credit risk in the form of subordination are not considered embedded derivatives.

Note 10 Recent changes to USGAAP (Continued)

SFAS 155 is effective for all financial instruments acquired, issued or subject to remeasurement after the beginning of an entity's first fiscal year that begins after 15 September 2006. Upon adoption, differences between the total carrying amount of the individual components of an existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument should be recognized as a cumulative effect adjustment to beginning retained earnings. Prior periods are not restated. The adoption of SFAS 155 is not expected to have a material impact on the Fund's financial statements.

In September 2006, the FASB cleared Statement of Position No. 71, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 71") for issuance. SOP 71 addresses whether the accounting principles of the Audit and Accounting Guide for Investment Companies may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. SOP 71 applies to the later of (i) reporting periods beginning on or after 15 December 2007 or (ii) the first permitted early adoption date of the FASB's proposed fair value option statement.. The adoption of SOP 71 is not expected to have a material impact on the Fund's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after 15 November 2007. The adoption of SFAS 157 is not expected to have a material impact on the Fund's financial statements.

Note 11 Approval of financial statements

The Directors approved the financial statements on 19 February 2007.

TETRAGON CREDIT INCOME FUND LIMITED

FINANCIAL HIGHTLIGHTS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

The following represents selected per share operating performance of the Fund, ratios to average net assets and total return information for the year ended 31 December 2006.

31 December 2006	Class A	Class B	Class C*
	US$	US$	US$
Per share operating performance			
Net asset value at start of year / initial issue date	102.18	103.08	113.02
Net investment income	15.75	19.54	7.69
Net realized and unrealized gain / (loss) from investments and foreign currencies	(0.09)	(0.09)	(0.04)
Net asset value at the end of the period	117.84	122.53	120.67
Total return before performance fee	19.17%	18.87%	7.74%
Performance fee	(3.84)%	—	(0.97)%
Total return after performance fee	15.33%	18.87%	6.77%
Ratios and supplemental data			
Ratio to average net assets:			
Direct operating expenses (see Note 7)	(1.82)%	(1.28)%	(0.77)%
Operating expenses allocated from the Master Fund (see Note 7)	(3.32)%	(3.32)%	(1.58)%
Total operating expenses	(5.14)%	(4.60)%	(2.35)%
Performance fee	(3.11)%	—	(0.94)%
Net investment income	12.48%	16.11%	6.60%

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

* The Class C Shares of the Fund were issued on 1 July 2006. The ratios and returns have not been annualized.

The following represents selected per share operating performance of the Fund, ratios to average net assets and total return information for the period ended 31 December 2005.

31 December 2005	Class A	Class B
	US$	US$
Per share operating performance[(1)]		
Net asset value at initial issue date	100.00	100.00
Net investment income	2.11	2.99
Net realized and unrealized gain / (loss) from investments and foreign currencies	0.07	0.09
Net asset value at the end of the period	102.18	103.08
Total return before performance fee	3.15%	3.08%
Performance fee	(0.97)%	—
Total return after performance fee	2.18%	3.08%
Ratios and supplemental data[(1)]		
Ratio to average net assets:		
Direct operating expenses (see Note 7)	—	—
Operating expenses allocated from the Master Fund (see Note 7)	(4.06)%	(4.22)%
Total operating expenses	(4.06)%	(4.22)%
Performance fee	(0.91)%	—
Net investment income	1.95%	2.96%

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

(1) The Class A Shares and Class B Shares of the Fund were issued on 1 August 2005. The ratios and returns have not been annualized.

TETRAGON CREDIT INCOME FUND LIMITED

SCHEDULE OF INVESTMENTS
as at 31 December 2006

Security Description	Nominal/ Shares	Cost	Market Value	% of Net Assets
		US$	US$	
Investment Funds—Guernsey				
Tetragon Credit Income Master Fund Limited—redeemable preference shares	3,957,433	456,610,941	490,175,214	102.77%
Total Investments			490,175,214	102.77%
Cash and cash equivalents			269	0.00%
Other Assets and Liabilities			(13,215,959)	(2.77)%
Net Assets			476,959,524	100.00%

TETRAGON CREDIT INCOME FUND LIMITED

SCHEDULE OF INVESTMENTS
as at 31 December 2005

Security Description	Nominal/ Shares	Cost	Market Value	% of Net Assets
		US$	US$	
Investment Funds—Guernsey				
Tetragon Credit Income Master Fund Limited—redeemable preference shares	300,985	30,250,000	31,024,522	100.87%
Total Investments			31,024,522	100.87%
Other Assets and Liabilities			(266,361)	(0.87)%
Net Assets			30,758,161	100.00%

TETRAGON CREDIT INCOME MASTER FUND LIMITED
REPORT OF INDEPENDENT AUDITORS

Independent auditors' report to the members of Tetragon Credit Income Fund Master Limited

We have audited the financial statements (the "financial statements") of Tetragon Credit Income Master Fund Limited for the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005 which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the Statement of Cash Flows and the related notes on pages 15 to 35. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994 and rule 4.02(3) of the Collective Investment Schemes (Class B) Rules 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable Guernsey law and accounting principles generally accepted in the United States of America as set out in the statement of directors' responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994, The Collective Investment Schemes (Class B) Rules 1990 and the principal documents. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

TETRAGON CREDIT INCOME MASTER FUND LIMITED

REPORT OF INDEPENDENT AUDITORS (Continued)

Opinion

In our opinion the financial statements:

- present fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America, of the state of the company's affairs as at 31 December 2006 and 31 December 2005 and of its result for the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994, The Collective Investment Schemes (Class B) Rules 1990 and the principal documents.

/s/ KPMG Channel Islands Limited

Chartered Accountants

Guernsey

Date: 19 February 2007

TETRAGON CREDIT INCOME MASTER FUND LIMITED

STATEMENT OF ASSETS AND LIABILITIES
as at 31 December 2006 and 31 December 2005

	Note	2006	2005
		US$	US$
Assets			
Cash and cash equivalents	3	117,859,435	35,686,369
Investments in securities, at fair value* (cost US$747,360,668; 2005: US$117,569,202)		785,260,048	121,614,863
Other receivables	5	543,791	128,070
Total assets		903,663,274	157,429,302
Liabilities			
Payables under repurchase and swap agreements	6 & 7	266,966,810	71,014,359
Derivative financial liabilities—Credit Default Swaps	8	1,487,269	—
Amounts payable for purchase of investments		23,904,647	—
Unrealized loss on forward contracts	4	2,559,966	76,216
Interest payable		2,422,084	557,794
Other payables and accrued expenses	10	199,258	383,497
Total liabilities		297,540,034	72,031,866
Net assets		606,123,240	85,397,436
		Number	Number
Shares outstanding			
Redeemable Preference Shares	11	4,893,542	828,485
Net asset value per share			
Redeemable Preference Shares		US$123.86	US$103.08

* US$461,187,827 (2005: US$118,246,292) of these investments are pledged as collateral under repurchase and swap agreements.

On behalf of the Board of Directors:

Rupert Dorey

David Jeffreys

Date: 19 February 2007

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

TETRAGON CREDIT INCOME MASTER FUND LIMITED

STATEMENT OF OPERATIONS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

	Note	Year ended 31 Dec 2006	Period from 23 June 2005 to 31 Dec 2005
		US$	US$
Interest income	12	56,244,498	5,417,245
Investment income		56,244,498	5,417,245
Management fees	13	(1,143,555)	(666,534)
Administration fees		(433,064)	(128,032)
Custodian fees		—	(36,394)
Legal and professional fees		(168,014)	(130,680)
Audit fees		(123,941)	(160,000)
Directors' fees	13	(56,836)	(51,700)
Organizational costs	13	—	(1,334,084)
Other operating expenses		(47,075)	(2,440)
Interest expense		(7,026,436)	(579,684)
Operating expenses		(8,998,921)	(3,089,548)
Net investment income		47,245,577	2,327,697
Realized and unrealized gain / (loss) from investments and foreign currency			
Net realized gain / (loss) from:			
Investments		—	40,000
Foreign currency transactions		(1,241,375)	1,014,930
Credit default swaps		(376,407)	—
		(1,617,782)	1,054,930
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		(21,605)	—
Forward foreign exchange contracts		(2,483,750)	(76,216)
Credit default swaps		(1,487,269)	—
Translation of assets and liabilities in foreign currencies		5,415,750	(908,975)
		1,423,126	(985,191)
Net realized and unrealized gain / (loss) from investments and foreign currencies		(194,656)	69,739
Net increase in net assets resulting from operations		47,050,921	2,397,436

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

TETRAGON CREDIT INCOME MASTER FUND LIMITED

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

	Year ended 31 Dec 2006	Period from 23 June 2005 to 31 Dec 2005
	US$	US$
Investment income	56,244,498	5,417,245
Operating expenses	(8,998,921)	(3,089,548)
Net realized gain / (loss) from investments and foreign currency	(1,617,782)	1,054,930
Net unrealized appreciation / (depreciation) on investments and translation of assets and liabilities in foreign currencies	1,423,126	(985,191)
Net increase in net assets resulting from operations	47,050,921	2,397,436
Issue of redeemable preference shares	478,285,135	83,000,000
Redemption of redeemable preference shares	(4,610,252)	—
Increase in net assets resulting from net share transactions	473,674,883	83,000,000
Total increase in net assets	520,725,804	85,397,436
Net assets at start of year / inception	85,397,436	—
Net assets at end of year / period	606,123,240	85,397,436

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

TETRAGON CREDIT INCOME MASTER FUND LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

	Year ended 31 Dec 2006	Period from 23 June 2005 to 31 Dec 2005
	US$	US$
Operating and investing activities		
Net increase in net assets resulting from operations	47,050,921	2,397,436
Adjustments for:		
Realized gain on investments	—	(40,000)
Non cash interest income on investments	(26,650,204)	(5,117,528)
Unrealized (gains) / losses	(1,423,126)	985,191
Operating cash flows before movements in working capital	18,977,591	(1,774,901)
Increase in receivables	(415,721)	(128,070)
Increase in payables	1,680,051	941,291
Cash flows from operations	20,241,921	(961,680)
Proceeds from sale of investments	—	2,000,000
Proceeds from repayments on investments	59,760,818	—
Purchase of investments	(665,647,638)	(119,529,201)
Cash outflows from operating and investing activities	(585,644,899)	(118,490,881)
Financing activities		
Proceeds from issue of redeemable preference shares	478,285,135	83,000,000
Payments on redemption of redeemable preference shares	(4,610,252)	—
Receipts from repurchase and swap agreements	194,118,711	71,177,250
Cash inflows from financing activities	667,793,594	154,177,250
Net increase in cash and cash equivalents	82,148,695	35,686,369
Cash and cash equivalents at beginning of year / period	35,686,369	—
Effect of exchange rate fluctuations on cash and cash equivalents	24,371	—
Cash and cash equivalents at end of year / period	117,859,435	35,686,369

TETRAGON CREDIT INCOME MASTER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 1 General Information

Tetragon Credit Income Master Fund Limited (the "Fund") is a Guernsey open-ended investment company incorporated on 23 June 2005 and is authorized by the Guernsey Financial Services Commission as a Class B Scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987. On 10 February 2006 the Fund changed its name from Polygon Credit Income Master Fund Limited to Tetragon Credit Income Master Fund Limited.

The registered office of the Fund is Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands.

The investment objective of the Fund is to achieve capital appreciation primarily from investments (directly or indirectly) in the "equity" or residual tranches of a broad range of CDO (Collaterized Debt Obligations) products and other securitization vehicles.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with United States generally accepted accounting principles ("USGAAP").

The financial statements are presented in United States dollars.

Use of Estimates

The financial statements, prepared in conformity with USGAAP, require management to make estimates and assumptions that may affect the reported amounts of assets and liabilities. Actual amounts could differ from the estimates included in the financial statements.

Foreign Currency Translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to US Dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the statement of operations. Foreign currency exchange differences relating to derivative financial instruments are included in foreign currency transactions and translation of assets and liabilities in foreign currencies in the statement of operations. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents and investments, are included in the foreign currency transactions and translation of assets and liabilities in foreign currencies in the statement of operations.

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from options, bonds, equities, futures, funds, swaps and repurchase agreements are calculated on the identified cost basis. Interest income and expense is recognized in the statement of operations as it accrues. Interest income is recognized on an effective interest rate basis.

Financial Instruments

Investments in securities, at fair value

The value of equity tranche investments in securitization vehicles is determined by reference to a third party valuation model that is used by both the Investment Manager and the Administrator. The model contains characteristics of the securitization vehicle structure, including current assets and liabilities and inception to date performance, based upon information derived by a specialist firm, from data sources such as the trustee reports. Key model inputs include asset spreads, expected defaults and expected recovery

Note 2 Significant Accounting Policies (Continued)

rates for the relevant category of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator. The model is used to project performance ("Expected IRR") for each investment, based on performance to date and expected future flows. As income is received from the securitization vehicle, only the Expected IRR is recognized as income and any difference is treated as an adjustment of principal.

The fair value calculations for the equity tranches that are held are sensitive to the key model inputs, in particular to defaults and recovery rates. The default and recovery rates assumptions are derived directly from the extensive historical data provided by rating agencies such as Moodys and Standard & Poors, and applied according to the quality and asset class mix of the underlying collateral.

The initial model assumptions are reviewed on a regular basis with reference to both current and projected data from the ratings agencies and the main brokers operating in this market. In the case of a material shift in the actual rates away from historical levels then the model assumptions will be adjusted accordingly.

If, over the lifetime of an individual deal, defaults and recoveries diverge from their long term historical norms, then the actual returns may differ from the current levels projected by the model, which would impact the net asset value of the Fund.

Derivatives

Derivatives are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing 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 derivative at initial recognition is the transaction price. Subsequent changes in the fair value of any derivative instrument are recognized immediately in the statement of operations.

Forward currency contracts

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

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

Repurchase agreements, reverse repurchase agreements and swap agreements

Securities sold subject to a simultaneous agreement to repurchase those securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and swap agreements and interest incurred on repurchase agreements and swap agreements is recognized as interest income or interest expense, over the life of each agreement using the effective interest method.

TETRAGON CREDIT INCOME MASTER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 2 Significant Accounting Policies (Continued)

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. The net income or expense on the swap agreements entered into by the Fund is reflected in the statement of operations. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the balance sheet. Changes in the fair value are reflected in the statement of operations in the period in which they occur.

Cash and cash equivalents

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

Expenses

Expenses, including management fees, incentive fees, administration fees and prime broker fees, are recognized in the statement of operations on an accrual basis.

Taxation

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP600 per annum.

Interest income received by the Fund may be subject to withholding tax imposed in the country of origin. Interest income is recorded gross of such taxes and the withholding tax is disclosed separately.

Growth Shares

The Growth Shares are currently recorded at par. As outlined in Note 11, if and when an IPO happens, any settlement will take place at a Tetragon Credit Income Fund Limited level. This is not expected to have any impact on the Net Asset Value of the Fund.

Principles of Consolidation

The Fund has determined that it does not have control over the significant operating, financial and investing decisions of the underlying CDO entities, or over the investment managers of the underlying CDO entities.

The Fund is the primary beneficiary of some CDO entities which are considered variable interest entities (“VIE”). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide Investment Companies, consolidation of these entities is not required. The Fund does not consolidate any of the underlying CDO entities.

Change in reporting framework

In 2005 financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”). During 2006, the directors decided to change from preparing the financial statements in accordance with IFRS to preparing them in accordance with US GAAP as they believe that financial statements prepared under US GAAP are more meaningful than those prepared on an IFRS basis. The

TETRAGON CREDIT INCOME MASTER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 2 Significant Accounting Policies (Continued)

2005 comparatives in these financial statements have been amended from the amounts originally included in the financial statements for the period ended 31 December 2005 to comply with US GAAP. A summary of the comparison between 2005 IFRS and 2005 US GAAP is as follows:

	USGAAP 2005	IFRS 2005
	US$	US$
Net assets attributable to redeemable preference shares	85,397,436	85,397,436
Net increase in net assets attributable to redeemable preference shares resulting from operations	2,397,436	2,397,436
Cash outflows from operating and investing activities	(118,490,881)	(118,490,881)
Cash inflows from financing activities	154,177,250	154,177,250

Under US GAAP, preference shares in the Company are classified as equity, as the preference shares are not mandatorily redeemable as defined in FAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. Under IFRS, as all redeemable preference shares issued by the Company provide the investors the right to require redemption for cash at the value proportionate to the investor's share in the Company's net assets at the redemption date, then in accordance with IAS 32, such instruments were presented as a financial liability for the present value of the redemption amount.

Note 3 Cash and Cash Equivalents

	2006	2005
	US$	US$
Restricted cash and current deposits with banks	103,287,148	35,686,369
Foreign currency cash (cost: US$14,547,915)	14,572,287	—
	117,859,435	35,686,369

The restricted cash is subject to a two week lock up restriction. The Fund did not have any cash equivalents at the balance sheet date.

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

The Fund's strategy on the management of market risk is driven by the Fund's investment objective, which is to achieve returns primarily from investments (directly or indirectly) in the "equity" or residual tranches of a broad range of CDO products and other securitisation vehicles.

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

The Fund's assets include securities or other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of equity tranche investments in securitization vehicles is determined utilizing a financial model that reflects numerous variables including, among other things, the Investment Manager's assessment of the nature of the investment and the relevant collateral, security position, risk profile, historical default rates and the originator and servicer of the position. As each of these factors involves subjective judgments and forward-looking determinations by the Investment Manager, the Investment Manager's experience and knowledge is instrumental in the valuation process. Further, because

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (Continued)

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

The majority of the Fund's investments consist of interests in and/or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by the same pool of assets. In the event of default by an issuer in relation to such investments holders of the issuer's more senior securities will be entitled to payments in priority to the Fund. Some of the Fund's investments may also have structural features that divert payments of interest and/or principal to more senior classes secured by the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels. This may lead to interruptions in the income stream that the Fund anticipates receiving from its investment portfolio.

To the extent that actual defaults on any assets in an underlying asset portfolio exceed the level of defaults factored into the purchase price of the relevant investment by the Investment Manager, the value of the investment will be reduced.

The Fund's assets are held at the prime broker and the Fund is exposed to the credit risk of this counterparty.

The Fund's repurchase and swap agreements result in exposure to counterparty credit risk. The counterparties to the Fund's repurchase and swap agreements are major financial institutions.

Details of the Fund's investment portfolio at the balance sheet date are disclosed in the Schedule of Investments on pages 32 to 34. All individual investments are disclosed separately.

The following foreign exchange forward contracts were unsettled at 31 December 2006.

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Gain/(Loss)
				US$
13 February 2007	Morgan Stanley	US$59,171,576	EUR46,119,701	(1,555,946)
18 April 2007	Morgan Stanley	US$14,861,388	EUR12,016,000	(1,004,020)
				(2,559,966)

The following foreign exchange forward contract was unsettled at 31 December 2005.

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Gain/(Loss)
				US$
17 February 2006	Morgan Stanley	US$8,177,348	EUR6,954,000	(76,216)

Note 5 Other Receivables

	2006	2005
	US$	US$
Bank interest receivable	543,791	128,070

TETRAGON CREDIT INCOME MASTER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 6 Payables under Repurchase Agreements

	2006	2005
	US$	US$
Payable under repurchase agreement—Morgan Stanley	121,430,976	45,814,359
Payable under repurchase agreement—Lehman	28,247,754	—
Payable under swap agreement—Deutsche Bank	117,288,080	25,200,000
	266,966,810	71,014,359

The average interest rate payable during the period was 6.00% (2005: 4.66%). The average amount of borrowings under repurchase and swap agreements during the period was US$137,778,484 (2005: US$40,554,608). Securities sold under repurchase agreements are included in investments in securities, at fair value. The fair value of these securities held under repurchase agreements at 31 December 2006 was US$241,178,700 (2005: US$77,510,794). The fair value of these securities held under the swap agreements at 31 December 2006 was US$220,009,127 (2005: US$40,735,498).

Note 7 Payables under Swap Agreements

The Fund has entered into a Structured Total Return Swap agreement with Deutsche Bank AG. By year end the Fund delivered to Deutsche Bank AG bonds with a value of US$199,200,000 (2005: US$42,000,000) in exchange for US$117,288,080 (2005: US$25,200,000). At the conclusion of the Contract the same bonds will be delivered back to the Fund and the outstanding loan will be repaid. During the term of the Contract interest will be paid to Deutsche Bank AG on the amount borrowed at a floating rate of the 3 month USD-LIBOR-BBA plus a spread of 0.85% on a quarterly basis and the Fund will receive all cash payments received by Deutsche Bank AG from the underlying bonds. In addition, the Fund maintains the voting rights on the bonds. Both the Fund and Deutsche Bank AG can terminate the swap by giving appropriate notice which is less than one month.

Note 8 Credit Default Swaps

The Fund has entered into credit default swap agreements, where the Fund purchases credit protection as set out in the following table as at 31 December 2006 (31 December 2005: None).

Maturity Date	Description	Notional	Fair Value
		US$	US$
December 2011	Eastman Kodak 2.55%	7,500,000	(274,583)
December 2011	Ineos Group 4.2%	1,000,000	(24,352)
December 2011	Georgia Pacific 2.48%	4,000,000	(146,889)
December 2011	Ineos Group 4.1%	3,000,000	(83,371)
June 2011	Dow Jones CDX North American High Yield Index 6 5Y 15-25 4.555%	4,000,000	(416,417)
June 2011	Dow Jones CDX North American High Yield Index 6-V2 3.45%	8,910,000	(375,040)
June 2011	Dow Jones CDX North American High Yield Index 6-V2 3.45%	3,960,000	(166,617)
			(1,487,269)

Note 9 Warehouse Agreements

The Fund has entered into a number of Warehouse Agreements, whereby it agrees to fund a portion of a warehouse loan facility used by an asset originator or manager to assemble assets in anticipation of a CDO transaction. The Fund assumes a share of the risk relating to the warehoused portfolio of underlying assets for which it receives its corresponding share of excess spread on the portfolio as well as any gains or losses

Note 9 Warehouse Agreements (Continued)

that may arise in the event that the proposed CDO transaction does not close and the warehoused assets are liquidated. These are short-dated transactions, typically lasting for two to three months prior to the closing of the CDO transaction in which the Fund will subsequently purchase part of the Equity. As at 31 December 2006, the Fund had potential additional commitments of US$17,894,984 under these agreements.

These balances are recorded at fair value under Investments in Securities in the Statement of Assets and Liabilities and are disclosed individually in the Schedule of Investments as Assets under Warehouse Agreements.

Note 10 Other Payables and Accrued Expenses

	2006	2005
	US$	US$
Audit fee accrual	139,139	160,000
Legal and professional fees accrual	10,023	40,000
Directors' fee accrual	14,700	38,768
Administration fee accrual	35,396	144,729
	199,258	383,497

Note 11 Share Capital

Authorized

The Fund's authorized share capital is US$100,000 divided into 10 Founder Shares, par value US$0.001 per share and 99,999,990 unclassified shares, par value US$0.001 per share. Unclassified shares are each available for issue as a Redeemable Preference Share, a Growth Share or a Nominal Share. All shares are in registered form and no share certificates will be issued.

Founder Shares

The 10 Founder Shares in issue were issued at par and are beneficially owned by the Principal Manager. The Founder Shares have been created so that other types of shares may be issued. To qualify as Redeemable Preference Shares, the Redeemable Preference Shares are required under Guernsey law to have preference over some other class of share capital. The Founder Shares are not redeemable and carry no right to dividends or to vote (unless there are no Redeemable Preference Shares issued in which case each Founder Share carries one vote). The Founder Shares do not form part of the net asset value of the Fund and are thus disclosed in the financial statements by way of this note only.

The issued Redeemable Preference Share capital is at all times equal to the net asset value of the Fund.

Redeemable Preference Shares

At any meeting of shareholders of the Fund resolutions may be passed by a show of hands at the meeting unless a poll is required. Subject to any special rights or restrictions attached to a class of shares: (i) on a show of hands, every shareholder who holds a Redeemable Preference Share or a Nominal Share who is present in person or by proxy shall have one vote; and (ii) on a poll, every shareholder who is present in person or by proxy shall be entitled to one vote in respect of each Redeemable Preference Share held by him and to one vote in respect of all Nominal Shares held by him.

The minimum initial subscription for Redeemable Preference Shares is US$5 million. Subsequent subscriptions are for a minimum of US$1 million. The Directors may, in their discretion, accept a lesser amount, subject to an absolute minimum of US$100,000.

TETRAGON CREDIT INCOME MASTER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 11 Share Capital (Continued)

Redeemable Preference Shares are non-redeemable for the first year following the date of entry in the register. Thereafter, Redeemable Preference Shares may generally be redeemed semi-annually as of the first business day following 31 December and 30 June each year (a "Redemption Day"). Written notice of redemption must be received by the Administrator by 5.00 p.m. (Guernsey time) 90 days prior to the Redemption Day. The Directors may waive notice requirements or permit redemptions under such circumstances and on such conditions as they, in their sole and absolute discretion, deem appropriate.

Growth Shares

When the Fund was launched in 2005, it was recognized that the Fund and/or its Guernsey feeder fund, Tetragon Credit Income Fund Limited, may in the future seek to list its shares on a recognized exchange. In that event, there may be an uplift in value of such shares, or "listing premium", reflecting goodwill attributable to the business at the time of listing. In connection with the Initial Offer, the Fund issued to the Principal Manager for $6 a special class of shares ("Growth Shares"), which will be redeemable at the holder's option only in the event of a listing of the Fund or its feeders. The purpose of the Growth Shares is to provide a mechanism to reward the Principal Manager, equivalent to a 20% incentive fee, for value delivered to shareholders.

The Growth Shares are Redeemable Preference Shares and are freely assignable by the holder. Prior to any listing of Redeemable Preference Shares in the Fund or Tetragon Credit Income Fund Limited, the Growth Shares shall have no right to participate in any dividends or distributions by the Fund. The Growth Shares shall entitle each holder to one vote on all matters on which the Redeemable Preference Shares are entitled to vote. The consent of each holder of Growth Shares shall be required for any amendment or modification to the terms of the Growth Shares. If any such shares are issued to holders of the Growth Shares, it will reduce the number of shares allocated to pre-existing holders in the conversion of existing shares, but will not change the total number of shares outstanding immediately after the conversion and IPO. Following the IPO the Growth Shares will cease to be outstanding.

At the balance sheet date Tetragon Credit Income Fund Limited, a shareholder in Tetragon Credit Income Master Fund Limited, is proposing to (i) convert to a closed end fund, (ii) list its shares on Euronext Amsterdam and (iii) conduct an initial public offering (the "IPO"). In that event, there may be an uplift in value of such Redeemable Preference Shares, or "listing premium", reflecting goodwill attributable to the business at the time of listing.

It is envisaged that holders of the Growth Shares will receive new shares with a value equal to 20% of the listing premium, if any, adjusted for the cost of the IPO, in Tetragon Credit Income Fund Limited. If any such shares are issued to holders of the Growth Shares, it will reduce the number of shares allocated to pre-existing holders in the conversion of existing shares, but will not change total number of shares outstanding immediately after the conversion and IPO. Following the IPO the Growth Shares will cease to be outstanding.

Nominal Shares

The Nominal Shares can only be issued at par value to the Principal Manager. The Nominal Shares carry no right to dividends. In a winding-up, they have right to repayment only of paid-up capital after repayment of the paid-up capital on the Redeemable Preference Shares. The Principal Manager is obliged to subscribe for Nominal Shares in cash at par value when Redeemable Preference Shares are redeemed to ensure that funds are available to redeem the nominal amount paid-up on each Redeemable Preference Share unless the Directors decide that the nominal amount of such Redeemable Preference Shares is to be redeemed out of profits.

TETRAGON CREDIT INCOME MASTER FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

Note 11 Share Capital (Continued)

Dividend Rights

Dividends may be paid to the holders of Redeemable Preference Shares and Growth Shares at the sole and absolute discretion of the Directors. Prior to any listing, the Growth Shares shall have no right to participate in any dividends or distributions by the Fund. The Founder Shares and the Nominal Shares carry no rights to dividends.

	Founder Shares	Redeemable Preference Shares
	No.	No.
Shares in issue at inception	—	—
Issued	10	828,485
Shares in issue at 31 December 2005	10	828,485
Issued	—	4,104,238
Redeemed	—	(39,181)
Shares in issue at 31 December 2006	10	4,893,542

	Growth Shares	Nominal Shares
	No.	No.
Shares in issue at inception	—	—
Issued	6	—
Shares in issue at 31 December 2005	6	—
Issued	—	—
Redeemed	—	—
Shares in issue at 31 December 2006	6	—

Note 12 Interest Income

	2006	2005
	US$	US$
Cash and short-term funds	3,629,206	506,992
Debt securities	52,615,292	4,910,253
	56,244,498	5,417,245

Note 13 Related Party Transactions

Polygon Credit Management (Guernsey) Limited (the "Principal Manager"), a company incorporated in Guernsey with limited liability under the Companies Law, will serve as the principal manager of the Fund. The Principal Manager has appointed Polygon Credit Management LP, a Delaware limited partnership (the "Investment Manager"), to manage the Fund's investment programs. The investment activities of the Investment Manager are subject to the overall supervision, control and policies of the Directors. The Investment Manager will be compensated by the Principal Manager and not by the Fund.

Tetragon Credit Income Fund Limited (the "Guernsey Feeder"), a Guernsey based open-ended investment company which has been formed primarily for the benefit of non-U.S. persons and U.S. tax-exempt investors, invests substantially all of its assets in the Fund. The Guernsey Feeder has the same Principal Manager and Investment Manager as the Fund.

Note 13 Related Party Transactions (Continued)

Tetragon Credit Income Fund LP (the "U.S. Feeder"), a Delaware limited partnership which has been formed primarily for the benefit of U.S. taxable investors, invests substantially all of its assets in the Fund. The U.S. Feeder has the same Principal Manager and Investment Manager as the Fund.

For the period from inception to 30 June 2006 the management fee was charged to the Fund, and the Guernsey Feeder and U.S. Feeder as shareholders in the Fund, bore their proportionate shares of management fees payable by the Fund. As a result of the creation of a new Feeder share class with a different fee structure the management fee now has to be calculated at the Feeder level. With effect from 1 July 2006 the management fees are charged directly to the Guernsey Feeder (US$3,272,863) and U.S. Feeder (US$872,477).

For the period from inception to 31 December 2005 all expenses relating to the Master Fund and the two Feeders were charged to the Master Fund, and the Feeders as shareholders in the Master Fund, bore their proportionate share. With effect from 1 January 2006 expenses which relate wholly and specifically to the individual Feeders are charged to the Feeder to which they relate. These include custodian (Guernsey Feeder: US$45,134), directors' (Guernsey Feeder: US$56,213), audit (Guernsey Feeder: US$12,600 and U.S. Feeder: US$12,600), professional fees (U.S. Feeder: US$30,281), and other legal and regulatory fees (Guernsey Feeder: US$3,322 and U.S. Feeder: US$884).

Polygon Global Opportunities Master Fund, which is managed by an affiliate of the Investment Manager, is an investor in the Fund through Tetragon Credit Income Fund LP.

The Fund purchased two investments from Polygon Global Opportunities Master Fund for a total cost of US$19,954,164 on 1 August 2005. The investments were valued at transfer, and have been re-valued subsequently using the methodology described in Note 2—Significant Accounting Policies. The cost of transfer included a funding charge of US$21,890, covering the period to 12 August 2005, when the transactions settled.

A portion of the organizational expenses (US$930,165) were borne by the Principal Manager and were paid out of the proceeds of the initial issue of shares. The annual remuneration for Directors shall not exceed GBP7,500 per Director for the Fund or such higher amount as may be approved by ordinary resolution of the shareholders of the relevant entity. Mr. Wishnow and Mr. Dear have waived their entitlement to a fee.

Note 14 Reconciliation of Net Asset Value

In accordance with the Offering memorandum, for the purposes of calculating a net asset value at which shareholders may redeem their shares, the organizational / formation costs of the Fund are amortized on a straight line basis over a period of up to three years from the date on which the Fund commenced business. Under US GAAP it is not permitted to amortize these costs and they were charged to expenses as incurred.

The impact on the net asset valuation of the Fund is as follows:

	2006	2005
	US$	US$
Net Asset Valuation as determined in accordance with the Offering Memorandum (for redemption purposes)	606,826,221	86,545,113
Amortization of Organizational Costs	(702,981)	(1,147,677)
Net Asset Valuation per financial statements	606,123,240	85,397,436

Note 15 Post Balance Sheet Events

Tetragon Credit Fund Limited a shareholder in Tetragon Credit Income Master Fund Limited is proposing to (i) convert to a closed end fund, (ii) list its shares on Euronext Amsterdam and (iii) conduct an initial public offering (the "IPO"). As part of these transactions, investors who own participating shares in the Tetragon Credit Fund Limited prior to the IPO may have the terms of their shares modified (through an Articles amendment) so that those shares are effectively converted into shares having characteristics identical to those of the shares being issued in the IPO. Existing investors may have the right to have their existing shares redeemed on the effective date of the Conversion, which may be the closing date of the IPO.

Since the year end the Fund has received net additional inflows of US$161,986,299 and made 5 additional warehouse investments costing US$37,912,398.

Note 16 Change of Name

On 10 February 2006 the Fund changed its name from Polygon Credit Income Master Fund Limited to Tetragon Credit Income Master Fund Limited.

Note 17 Recent changes to USGAAP

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The tax benefit recognized is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

FIN 48 is effective for fiscal years beginning after 15 December 2006. The adoption of FIN 48 is not expected to have a material impact on the Fund's financial statements.

In February 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 155, "Accounting for Certain Hybrid Financial Instruments", which amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS 155 provides, among other things, that (i) for embedded derivatives which would otherwise be required to be bifurcated from their host contracts and accounted for at fair value in accordance with SFAS 133 an entity may make an irrevocable election, on an instrument-by-instrument basis, to measure the hybrid financial instrument at fair value in its entirety, with changes in fair value recognized in earnings and (ii) concentrations of credit risk in the form of subordination are not considered embedded derivatives.

SFAS 155 is effective for all financial instruments acquired, issued or subject to remeasurement after the beginning of an entity's first fiscal year that begins after 15 September 2006. Upon adoption, differences between the total carrying amount of the individual components of an existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument should be recognized as a cumulative effect adjustment to beginning retained earnings. Prior periods are not restated. The adoption of SFAS 155 is not expected to have a material impact on the Fund's financial statements.

In September 2006, the FASB cleared Statement of Position No. 71, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 71") for issuance. SOP 71 addresses whether the accounting principles of the Audit and Accounting Guide for Investment Companies may be applied to an entity by clarifying the definition of an investment company and whether those accounting principles may be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. SOP 71 applies to the later of (i) reporting periods beginning on or after 15 December 2007 or (ii) the first permitted early adoption date of the FASB's proposed fair value option

Note 17 Recent changes to USGAAP (Continued)

statement. The adoption of SOP 71 is not expected to have a material impact on the Fund's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after 15 November 2007. The adoption of SFAS 157 is not expected to have a material impact on the Fund's financial statements.

Note 18 Approval of Financial Statements

The Directors approved the financial statements on 19 February 2007.

TETRAGON CREDIT INCOME MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2006 and for the period from 23 June 2005 to 31 December 2005

The following represents selected per share operating performance of the Fund, ratios to average net assets and total return information for the year ended 31 December 2006 and the period from 23 June 2005 to 31 December 2005.

	Redeemable Preference Shares 2006	Redeemable Preference Shares 2005[1]
	US$	US$
Per share operating performance		
Net asset value at 1 January 2006 / initial issue date	103.08	100.00
Net investment income	20.87	2.99
Net realized and unrealized gain / (loss) from investments and foreign currencies	(0.09)	0.09
Net asset value at the end of the period	123.86	103.08
Total return	20.16%	3.08%
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses (see Note 13)	(3.26%)	(3.88%)
Net investment income	17.10%	2.93%

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

(1) The Redeemable Preference Shares of the Fund were issued on 1 August 2005. The ratios and returns have not been annualized.

TETRAGON CREDIT INCOME MASTER FUND LIMITED
SCHEDULE OF INVESTMENTS
As at 31 December 2006

Security Description	Nominal / Shares	Cost	Market Value	% of Net Assets
		US$	US$	
CDO—Fixed Income Securities (subordinated tranches)				
Cayman Islands				
Apidos CDO IV Ltd.[a]	22,000,000	20,494,980	21,410,472	3.53%
Apidos Quattro CDO Ltd.[a]	24,500,000	22,816,115	23,444,216	3.87%
Blue Mountain CLO II Ltd.[a]	16,000,000	15,160,000	16,077,156	2.65%
Bridgeport CLO Ltd.[a]	25,000,000	23,500,000	25,453,987	4.20%
Centurion CDO X Ltd.[a]	18,000,000	16,668,000	17,501,548	2.89%
Centurion CDO X Ltd.	1,250,000	1,156,250	1,126,180	0.19%
CIFC Funding 2006-IB, Ltd.	28,000,000	26,600,000	27,794,796	4.59%
CIFC Funding 2006-I, Ltd.	21,800,000	20,710,000	22,189,025	3.66%
ColumbusNova CLO Ltd. 2006-I	18,600,000	16,917,742	17,982,182	2.97%
ColumbusNovo CLO Ltd. 2006-II[a]	22,800,000	20,924,928	21,034,016	3.47%
Copper River 2006-1X Inc[b]	24,867,000	23,904,647	23,904,647	3.94%
Duke Funding IX Ltd.[a]	11,500,000	11,155,000	11,068,933	1.83%
Emporia Preferred Funding I Ltd[a]	21,210	19,089,000	19,319,936	3.19%
Emporia Preferred Funding II Ltd.[a]	14,924	12,398,371	12,640,803	2.09%
Flagship CLO IV[a]	10,000,000	9,275,000	9,910,285	1.63%
Fraser Sullivan CLO II Ltd.[a]	25,000,000	22,245,000	22,472,088	3.71%
Fraser Sullivan CLO IV Ltd.[a]	17,000,000	16,150,000	17,266,005	2.85%
Gale Force 2 CLO Ltd.[a]	25,500,000	23,553,067	25,509,181	4.21%
Gallatin CLO II 2005-1 Ltd.[a]	10,000,000	9,333,330	10,069,750	1.66%
GSC Partners CDO Fund VI Ltd.[a]	8,000,000	7,840,000	8,347,400	1.38%
Gulf Stream—Sextant CLO 2006-1, Ltd.[a]	14,280,000	12,980,520	13,708,764	2.26%
Halcyon Loan Investors CLO I, Ltd.	24,750,000	22,522,500	23,221,167	3.83%
Hewett's Island CDO IV Ltd[a]	24,750,000	22,275,000	24,471,158	4.04%
Hewett's Island CLO V, Ltd.	25,500,000	22,950,000	23,224,031	3.83%
Hillmark Funding	30,750,000	28,301,685	28,865,205	4.76%
Katonah VII CLO Ltd.[a]	14,000,000	12,600,000	13,236,424	2.18%
Katonah VIII CLO Ltd.	14,000,000	12,285,000	13,646,766	2.25%
Katonah IX CLO Ltd.	26,160,628	23,027,370	23,643,374	3.90%
Pioneer Valley Structured Credit CDO I Ltd.[a]	11,000,000	10,450,000	11,753,703	1.94%
Sheffield CDO Ltd.[a]	17,250,000	16,646,250	18,274,203	3.01%
Sierra CLO II Ltd.	29,925,000	26,932,500	27,370,191	4.51%
Silverado CLO 2006-II Ltd.	23,250,000	21,312,508	21,918,060	3.61%
Symphony CLO II Ltd.	21,000,000	19,320,000	19,621,650	3.24%
Westbrook CLO Ltd.[a]	27,600,000	24,645,006	24,821,865	4.10%
		616,139,769	642,299,167	105.97%
Ireland				
Aquilae CLO II plc*	20,000,000	24,017,940	25,315,089	4.18%
Dryden X—Euro CLO 2005 plc*[a]	15,000,000	16,876,406	20,280,233	3.34%
RMF Euro CDO III plc*[a]	18,300,000	21,158,872	23,014,024	3.80%
		62,053,218	68,609,346	11.32%
Luxembourg				
GSC Europe III Ltd.*[a]	22,100,000	26,626,141	29,303,912	4.83%
Theseus I Euro CLO Ltd.*[a]	18,000,000	21,764,025	23,970,546	3.96%
		48,390,166	53,274,458	8.79%

TETRAGON CREDIT INCOME MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS (Continued)

As at 31 December 2006

Security Description	Nominal / Shares	Cost	Market Value	% of Net Assets
		US$	US$	
Assets under Warehouse Agreements (Note 9)				
U.S.				
Deutsche Bank (Blue Mountain CLO III Ltd.) . . .	5,363,234	5,363,234	5,459,578	0.90%
Morgan Stanley (Cent CDO 14 Ltd.)	2,176,405	2,176,405	2,242,743	0.37%
Bear Stearns (Gallatin CLO III 2006-1, Ltd.)	8,000,000	8,000,000	8,069,151	1.33%
Bear Stearns (Silverado CLO 2007-1, Ltd.)	4,000,000	4,000,000	4,038,190	0.67%
Morgan Stanley (Symphony CLO III Ltd.)	1,237,876	1,237,876	1,267,415	0.21%
		20,777,515	21,077,077	3.48%
Total Investments			785,260,048	129.56%
Cash and Cash Equivalents			117,859,435	19.44%
Other Assets and Liabilities			(296,996,243)	(49.00%)
Net Assets			606,123,240	100.00%

* denominated in euro. All of the other investments are denominated in US Dollars.

(a) pledged as collateral under repurchase or swap agreements

(b) unsettled at 31 December 2006

TETRAGON CREDIT INCOME MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS (Continued)

As at 31 December 2005

Security Description	Nominal / Shares	Cost	Market Value	% of Net Assets
		US$	US$	
CDO—Fixed Income Securities (subordinated tranches)				
Cayman Islands				
Centurion CDO X Ltd	18,000,000	16,668,000	17,067,741	19.99%
Duke Funding IX	11,500,000	11,155,000	11,420,993	13.37%
Emporia Preferred Funding I Ltd	21,210	19,089,000	19,825,525	23.22%
Flagship CLO IV	10,000,000	9,275,000	10,055,477	11.77%
Gallatin CLO II 2005-1 Ltd	10,000,000	9,333,330	9,724,020	11.39%
GSC Partners CDO Fund VI Ltd	8,000,000	7,840,000	8,083,122	9.46%
Katonah VII CLO Ltd	14,000,000	12,600,000	12,872,879	15.07%
Pioneer Valley Structured Credit CDO I Ltd	11,000,000	10,450,000	11,183,773	13.10%
		96,410,330	100,233,530	117.37%
Ireland				
RMF Euro CDO III plc*	18,300,000	21,158,872	21,381,333	25.04%
Total Investments			121,614,863	142.41%
Cash and Cash Equivalents			35,686,369	41.79%
Other Assets and Liabilities			(71,903,796)	(84.20%)
Net Assets			85,397,436	100.00%

* denominated in euro. All of the other investments are denominated in US Dollars.

TETRAGON CREDIT INCOME MASTER FUND LIMITED

SUMMARY OF MATERIAL PORTFOLIO CHANGES

For the year ended 31 December 2006

Top 20 Purchases	Nominal / Shares	Cost
		US$
Hillmark Funding	30,750,000	28,301,685
Sierra CLO II Ltd.	29,925,000	26,932,500
GSC Europe III Ltd.	22,100,000	26,626,141
CIFC Funding 2006-IB, Ltd.	28,000,000	26,600,000
Westbrook CLO Ltd.	27,600,000	24,645,006
Aquilae CLO II plc	20,000,000	24,017,940
Copper River 2006-1X Inc	24,867,000	23,904,647
Gale Force 2 CLO Ltd.	25,500,000	23,553,067
Bridgeport CLO Ltd.	25,000,000	23,500,000
Katonah IX CLO Ltd.	26,160,628	23,027,370
Hewett's Island CLO V, Ltd.	25,500,000	22,950,000
Apidos Quattro CDO Ltd.	24,500,000	22,816,115
Halcyon Loan Investors CLO I, Ltd.	24,750,000	22,522,500
Hewett's Island CDO IV Ltd	24,750,000	22,275,000
Fraser Sullivan CLO II Ltd.	25,000,000	22,245,000
Theseus I Euro CLO Ltd.	18,000,000	21,764,025
Silverado CLO 2006-II Ltd.	23,250,000	21,312,508
ColumbusNovo CLO Ltd. 2006-II	22,800,000	20,924,928
CIFC Funding 2006-I, Ltd.	21,800,000	20,710,000
Apidos CDO IV Ltd.	22,000,000	20,494,980

There were no actual sales of investments during the year ended 31 December 2006.

PART X—ILLUSTRATIVE NET ASSETS

The illustrative net assets information set out below has been prepared to illustrate the impact on the Issuer's assets and liabilities as at December 31, 2006 of (i) all subscriptions for and redemptions and contingent redemptions of Existing Shares of the Issuer from January 1, 2007 to Closing Date, (ii) the receipt of the net proceeds from the global offering (not including any Over-allotment Option) and (iii) acquisition of additional interests in the Master Fund with the net proceeds from (i) and (ii). The Company believes this information is useful to investors, as the events described in clauses (i), (ii) and (iii) above, had they taken place on December 31, 2006, would have had a substantial impact on the assets and liabilities of the Issuer. The information set out below has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial position or results.

The illustrative net asset information is based on the assets and liabilities of the Issuer at December 31, 2006 and has been prepared on the basis that all subscriptions, redemptions and contingent redemptions by the Issuer from January 1, 2007 to Closing Date, closing of the global offering and acquisition of additional interests in the Master Fund took place on that date.

		Adjustments			
	Net Assets at December 31, 2006[1]	Subscriptions Net of Redemptions and Contingent Redemptions from January 1, 2007 to Closing Date[2]	Proceeds of the global offering net of expenses[3]	Acquisition of additional interests in Master Fund[4]	Illustrative net assets as adjusted
	$ millions	$ millions	$ millions	$ millions	$ millions
Assets					
Cash and cash equivalents	—	234.9	282.0	(516.9)	—
Investment in Master Fund	490.2	—	—	516.9	1,007.1
Total assets	490.2	234.9	282.0	—	1,007.1
Liabilities					
Accrued incentive fee	5.6	—	—	—	5.6
Accrued equalization fee	7.6	—	—	—	7.6
Total liabilities	13.2	—	—	—	13.2
Net assets	477.0	234.9	282.0	—	993.9

Notes:

(1) The financial information on the Issuer at December 31, 2006 has been extracted without adjustment from the financial information on the Issuer included in "Part IX—Audited Financial Information of the Company".

(2) Reflects (i) cash subscriptions for $324.3 million of shares, net of (ii) (x) cash redemptions of $45.5 million of Existing Shares and (y) $43.9 million, which is based on the NAV at February 28, 2007 of those Existing Shares for which pre-global offering redemption requests have been received. The actual redemption price of the Existing Shares which may be redeemed immediately prior to the closing of the global offering pursuant to the pre-global offering redemption elections will be their NAV on that date. No account has been taken of any changes in net assets resulting from operations, including any changes in the fair value of investment in the Master Fund (see also note 4 below) of the Issuer between January 1, 2007 or the date of subscriptions and Closing Date, other than in respect of redemptions. The conversion of existing participating shares of the Issuer into Shares will be based on the adjusted projected net assets for each share class at the Effective Time (as defined in "Part XII—Additional Information—The Issuer") and the associated terms of the Share Conversion Transactions.

(3) The net proceeds of the global offering are calculated on the basis that the Issuer issues 30,000,000 non-voting Shares at an Offer Price of $10 per Share and that cash transaction expenses are $18.0 million.

(4) The subscriptions, net of redemptions and contingent redemptions and proceeds of the global offering are used to acquire additional interests in the Master Fund. The Master Fund will use such cash to acquire further investments. No account has been taken of any changes in fair value of investment in the Master Fund between January 1, 2007 or the date of subscriptions and the Closing Date, other than in respect of redemptions.

PART XI—RECONCILIATION OF DECEMBER 31, 2005 NET ASSETS AND 2005 RESULTS OF OPERATIONS BETWEEN U.S. GAAP AND IFRS AND DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN U.S. GAAP AND IFRS

Overview

The financial statements of the Company are prepared in accordance with U.S. GAAP. U.S. GAAP differs in certain significant respects from International Financial Reporting Standards ("IFRS"), which are composed of standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards and Standing Interpretations Committee interpretations approved by IASB's predecessor, the International Accounting Standards Committee, that remain in effect.

Set out below is (i) a reconciliation from U.S. GAAP to IFRS of the net assets of the Issuer and the Master Fund as at December 31, 2005 and of their results of operations for the period then ended and (ii) a narrative summary of certain differences between U.S. GAAP and IFRS that could have a significant effect on the Issuer's and the Master Fund's reported net assets as at December 31, 2006 and their results of operations for the year then ended if they were to report results and net assets for 2006 in accordance with IFRS. A reconciliation of U.S. GAAP to IFRS as at December 31, 2006 and for the year then ended is not provided, as the Issuer and the Master Fund have not prepared or reported financial statements in accordance with IFRS as at such date and for such period.

This summary does not provide a comprehensive analysis of such differences. It is not possible to quantify their effect as of December 31, 2006 or for the year then ended.

Financial statements were prepared both in accordance with IFRS and in accordance with U.S. GAAP for the period ended December 31, 2005; however, the Company switched to presenting financial statements solely under U.S. GAAP from January 1, 2006 and intends to continue presenting financial statements solely under U.S. GAAP as it believes that, given the nature of the Company's operations, financial statements prepared under U.S. GAAP provide a more meaningful portrayal of the Company's results and financial position than financial statements prepared in accordance with IFRS. In particular, in 2006, the Master Fund acquired financial investments that bear the majority of the residual risks and rewards of the operations of the relevant investees. Under IFRS, such underlying investees may be required to be consolidated, whereas under U.S. GAAP the investments are carried at fair value. The Company considers that consolidation of such investees would not provide any meaningful information to investors and may lead to confusion for investors.

There may be other potentially significant accounting and disclosure differences as of and for the year ended December 31, 2006 that have not come to the Issuer's attention and that are not identified below. These differences may affect the methods for recognizing and measuring amounts to be shown in the financial statements for 2006 and future years. Potential investors should consult with their own professional advisers for an understanding of the differences between U.S. GAAP and IFRS and how those differences might affect the financial statements of the Company for 2006 and future years.

Reconciliation from U.S. GAAP to IFRS of results of operations for the period ended December 31, 2005 and net assets as at December 31, 2005 for the Issuer

Reconciliation of net assets at December 31, 2005

	US$
Net assets at December 31, 2005—per U.S. GAAP	30,758,161
Adjustment	
Organizational costs	416,946
Net assets attributable to holders of redeemable preference shares—per IFRS	31,175,107

Reconciliation of results of operations for the period ended December 31, 2005

	US$
Net increase in net assets resulting from operations for the period ended December 31, 2005—per U.S. GAAP	538,459
Adjustment	
Organizational costs	416,946
Change in net assets attributable to holders of redeemable preference shares from operations for the period ended December 31, 2005—per IFRS	955,405

Adjustment for organizational costs of US$416,946

Under U.S. GAAP, the Issuer's investment in the Master Fund is carried at fair value, which is the Issuer's proportionate interest in the net assets of the Master Fund measured in accordance with US GAAP. Under IFRS, the carrying amount of the investment in the Master Fund was based on the NAV per share obtained from the Master Fund administrator. The Master Fund NAV is calculated by amortizing organisation costs of the Master Fund over three years, in accordance with the initial Offering Memorandum. Under U.S. GAAP, as these costs do not qualify for capitalization, the Issuer's proportionate share was expensed in the Issuer's financial statements in 2005. This results in a temporary difference between the NAV and accounting net asset value during the amortization period.

Reconciliation from U.S. GAAP to IFRS of results of operations for the period ended December 31, 2005 and net assets as at December 31, 2005 for the Master Fund

Reconciliation of net assets at December 31, 2005

	US$
Net assets at December 31, 2005—per U.S. GAAP	85,397,436
Net assets attributable to holders of redeemable preference shares—per IFRS	85,397,436

Reconciliation of results of operations for the period ended December 31, 2005

	US$
Net increase in net assets resulting from operations for the period ended December 31, 2005—per U.S. GAAP	2,397,436
Change in net assets attributable to holders of redeemable preference shares from operations for the period ended December 31, 2005—per IFRS	2,397,436

Summary of certain differences between U.S. GAAP and IFRS in respect of the year ended December 31, 2006

The following paragraphs summarize certain differences between U.S. GAAP and IFRS as of December 31, 2006 with regard to authoritative pronouncements the adoption of which was mandatory as of that date that may impact the reported amounts of net assets of the Issuer and the Master Fund as at December 31, 2006 and their results of operations for the year then ended. Other standards or pronouncements may have been issued whose adoption is only mandatory after that date. In addition, the organizations that determine U.S. GAAP and IFRS have projects ongoing that could have a significant impact on future comparisons such as this.

U.S. GAAP	IFRS
Investment Company Guidance	
Investment companies preparing their accounts in accordance with U.S. GAAP are required to follow the *AICPA Audit and Accounting Guide, Investment Companies* (the "Guide").	IFRS does not provide specialised guidance for investment companies.
According to the Guide, an investment company is a company that has the following attributes: the investment company's primary business activity involves investing its assets, usually in the securities of other entities not under common management, for current income or appreciation; ownership in the investment company is represented by units of investments; the funds of the investment company's owners are pooled to avail owners of professional investment management; and the investment company is the primary reporting entity.	
The statement of operations of the Issuer includes the allocated proportionate share of each type of income, expense, gain and loss of the Master Fund. The Issuer's investment in the Master Fund is valued at fair value, which is the Issuer's proportionate interest in the net assets of the Master Fund measured in accordance with U.S. GAAP.	If a feeder fund (such as the Issuer) does not control its associated master fund (such as the Master Fund), the feeder fund accounts for its investment in the master fund as a financial asset in accordance with IAS 39 (see below). Given the fluidity of the investment structure, the Issuer's investment in the Master Fund was classified as "held for trading" for the period ended December 31, 2005, and measured at fair value with changes in the fair value recognized in the income statement. If a feeder fund does control its associated master fund, the feeder fund's financial statements would consolidate those of the master fund.
Basis of consolidation	
The Guide specifies that, except in the case where an investment company has an investment in an operating company that provides services to the investment company, consolidation by an investment company of a non-investment company investee is not appropriate.	Subsidiaries are entities that are controlled by the reporting entity. The financial statements of subsidiaries are included in the consolidated financial statements of the reporting entity from the date that control commences until the date that control ceases.
The Master Fund has determined that it does not have control over the significant operating, financial and investing decisions of the underlying CDO entities, or over the investment managers of the underlying CDO entities.	Control exists where there is power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
The Master Fund is the primary beneficiary of some CDO entities which are considered variable interest entities. As the Master Fund is accounting for its investments at fair value in accordance with the accounting guidance in the Guide, consolidation of these entities is not required. The Master Fund does not consolidate any of the underlying CDO entities.	Special purpose vehicles where control is indicated by activities, decision making, benefits and residual risks of ownership are consolidated in accordance with the Standing Interpretations Committee Interpretation 12 "*Consolidation—Special Purpose Entities*". Accordingly, were the Company to prepare its financial statements in accordance with IFRS, it is

U.S. GAAP	IFRS
	possible that it would consolidate the financial statements of certain investees.
Investments	
As an investment company, the Company reports all investments (including securities and derivatives) at fair value with changes in fair value included in the statement of operations.	IAS 39 "*Financial Instruments: Recognition and Measurement*" establishes specific categories into which all financial assets must be classified; this classification dictates how they are subsequently measured in the financial statements. A financial asset held at fair value through profit or loss is a financial asset that meets either of the following conditions: — Designated as fair value through the profit and loss account Under IFRS an entity can designate an investment as held at fair value and include the fair value changes in the income statement if it results in more relevant information because either: (a) in doing so, it eliminates or significantly reduces a measurement or recognition inconsistency; (b) a group of financial assets, financial liabilities or both is managed and performance is evaluated on a fair value basis; or (c) the contract contains one or more substantive embedded derivatives. Upon recognition it is designated by the entity as at fair value through profit or loss. Any financial asset may be so designated when initially recognized except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. — Held for trading: A financial asset is held for trading if it is: (a) acquired or incurred principally for the purpose of selling or repurchasing it in the near future (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or (c) a derivative. If the financial asset is not accounted for as fair value through profit or loss on initial recognition, then the asset must be recorded in one of these categories depending on the facts and circumstances:

U.S. GAAP	IFRS
	— Available for sale ("AFS")
	— Held to maturity
	— Loans and receivables
	Investments classified as AFS are stated at fair value, with any resultant gain or loss being recognized directly in equity, except for impairment losses, and in the case of monetary items such as debt securities, foreign exchange gains or losses which are recognized in profit or loss. Unrealized gains or losses recognized directly in equity are recycled to the income statement on sale or redemption of the asset.
	Financial assets classified as held-to-maturity are carried at amortized cost using the effective interest rate method, less impairment losses, if any.
	Financial assets classified as loans and receivables are carried at amortized cost using the effective interest rate method, less impairment losses, if any.
	Under IAS 39 a financial asset could be transferred from one category to another subsequent to its initial recognition. However, for certain categories of financial assets transfers have limitations or tainting implications.
	Transfers to or from the "fair value through profit and loss" category from or to any other category are prohibited.
	All held to maturity instruments are required to be reclassified to the AFS category if there is tainting of the held to maturity portfolio.
	A transfer from the AFS category to the held to maturity category is permitted once any tainting period has lapsed, or if there is a change in intent or ability. Otherwise, a reclassification to measure at cost a financial instrument that previously was measured at fair value is permitted only in the rare case when a reliable measure of its fair value no longer is available.
	A transfer from the loans and receivables category to the AFS category may be required if the instrument becomes quoted in an active market.
	The Master Fund's investments held at December 31, 2005 had been classified as AFS investments. According to the reclassification rules, these assets would have to have remained so designated during the period held in or through 2006 unless (for a debt instrument) there were a change in intent or ability to hold to maturity or (for an equity instrument) its fair value were no longer is available.

U.S. GAAP

Accounting for financial liabilities

Under U.S. GAAP financial liabilities, other than derivatives and bifurcated embedded derivatives (which are measured at fair value with changes in fair value included in the income statement), are measured at amortised cost using the effective interest rate method.

IFRS

IAS 39 *"Financial Instruments: Recognition and Measurement"* establishes specific categories into which all financial liabilities must be classified; this classification dictates how they are subsequently measured in the financial statements.

A financial liability held at fair value through profit or loss is a financial liability that meets either of the following conditions:

- Designated as fair value through the profit and loss account

Under IFRS an entity can designate all of its financial liabilities at fair value and include the fair value changes in the income statement if it results in more relevant information because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency;

(b) a group of financial assets, financial liabilities or both is managed and performance is evaluated on a fair value basis; or

(c) the contract contains one or more substantive embedded derivatives

Upon recognition it is designated by the entity as at fair value through profit or loss. Any financial asset may be designed when initially recognized except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

- Held for trading

A financial liability is held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near future
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or
- a derivative
- Other liabilities

Liabilities not in the "fair value through profit or loss" category are other liabilities and are measured at amortised cost calculated using the effective interest method. Bifurcated embedded derivatives are measured at fair value through profit or loss.

U.S. GAAP	IFRS
Transfer of financial assets and repurchase agreements	
According to FAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, a transfer of financial assets is accounted for as a sale if the transferor surrenders control over the financial assets and to the extent that consideration other than beneficial interests in the transferred assets is received. Control is surrendered only if the following conditions are met: the transferred assets have been isolated from the transferor; each transferee has the unconstrained right to pledge or exchange the assets; and the transferor does not maintain effective control over the transferred assets through either an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.	A transfer of financial assets is accounted for as a derecognition if substantially all the asset's risks and rewards of ownership are transferred. If substantially all of the risks and rewards are retained, the asset is not derecognized. If substantially all the risks and rewards of ownership are neither transferred nor retained, derecognition is assessed based on the transfer or retention of control. Control is transferred if the transferee has the practical ability to sell the asset unilaterally without needing to impose additional restrictions on the transfer. If control is transferred, the asset is derecognized. If control is not transferred, derecognition does not occur to the extent of the entity's continuing involvement in the asset.
Issued Shares	
Under U.S. GAAP, preferences shares in the Company are classified as equity, as the preference shares are not mandatorily redeemable as defined in FAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.*	All redeemable preference shares issued by the Company provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Company's net assets at the redemption date. In accordance with IAS 32 "*Financial Instruments: Presentation*", such instruments give rise to a financial liability for the present value of the redemption amount.

U.S. GAAP is generally more restrictive and comprehensive than IFRS regarding recognition and measurement of transactions, account classification and disclosure requirements, and under U.S. GAAP there is specific guidance with respect to these matters for investment companies, such as the Issuer and the Master Fund, which is not provided under IFRS. No attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements for the year ended December 31, 2006 or the notes thereto.

The Company has prepared financial statements in accordance with IFRS as at and for the period ended December 31, 2005 but not as at any other date or for any other period (including the year ended December 31, 2006) and has not prepared a reconciliation of its financial statements to IFRS as at any other date or for any other period; accordingly, it cannot offer any assurances that the differences described above would, in fact, be the accounting principles creating that would give rise to the greatest differences between financial statements of the Company prepared under U.S. GAAP and financial statements prepared under IFRS for the year ended December 31, 2006 or any subsequent period. In addition, the Company cannot estimate the effect that applying IFRS would have on its results of operations or net assets, or any component thereof, in any of the presentations of financial information in this prospectus other than for the period ended December 31, 2005. However, the effect of such differences may be material, and in particular, it may be that a statement of assets and liabilities, and statement of operations prepared on the basis of IFRS for the year ended December 31, 2006 would be materially different due to these differences.

The summary above should not be taken as a complete list of all differences between U.S. GAAP, as they apply to investment companies or otherwise, and IFRS. There may be other differences that affect the financial statements that result from transactions or events that may occur in the future. The Company can provide no assurance that the differences identified above represent all the relevant differences between U.S. GAAP and IFRS for the year ended December 31, 2006 or subsequent periods. Furthermore, no attempt has been made to identify future differences between U.S. GAAP and IFRS as the result of prescribed changes in accounting standards.

PART XII—ADDITIONAL INFORMATION

THE ISSUER

The Issuer was registered in Guernsey on June 23, 2005 as a company limited by shares under the provisions of the Companies Law, with registered number 43321. The Issuer holds shares in the Master Fund, which in turn invests in assets in accordance with the investment objective. The Issuer changed its name from Polygon Credit Income Fund Limited to Tetragon Credit Income Fund Limited on February 10, 2006 and is expected to change its name to Tetragon Financial Group Limited on or about March 30, 2007. The Issuer amended its Articles of Association on July 1, 2006 incidental to its creation of class C shares. In addition, on March 22, 2007 the Shareholders of the Issuer passed a resolution, to be conditional upon the closing of the global offering, amending its Articles of Association to modify, among other things, its capital structure as described below. Such amendment to the Issuer's Articles of Association will also effect the conversion of the Issuer into a closed-ended fund by eliminating redemption rights of investors. The Issuer continues to be registered and domiciled in Guernsey. The issuance of Shares in the global offering and related transactions was authorized by a resolution of the Board of Directors on February 19, 2007.

Capital Structure of the Issuer

The following is a description of the capital structure of the Issuer that will be in effect at the time of closing of the global offering. The Issuer has an authorized share capital of $1,000,000 divided into 10 Voting Shares, having a par value of $0.001 each and 999,999,990 non-voting shares (which are the "Shares" referred to herein), having a par value of $0.001 each. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares. Shares are only transferable pursuant to regulations that the Directors may adopt in their discretion, and the Directors have approved the provisions set forth in this prospectus regarding the transfer of shares.

Voting Shares

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

The Voting Shares will be the only shares of the Issuer entitled to vote for the election of Directors and on all other matters put to a vote of Shareholders, subject to the limited rights of the Shares described below. The Voting Shares are not entitled to receive dividends.

Shares

Except as described below, the Shares are not entitled to vote on any matter. The Shares carry a right to any dividends or other distributions declared by the Issuer.

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

Meetings and Actions of Shareholders

To the extent required by law, the Issuer will hold an annual meeting each year. In addition, the Directors or the holders of 10% of any class of shares in issue may call a meeting of that class.

No business shall be transacted at any general meeting unless a quorum is present. The holders of a majority of shares in issue of each class entitled to vote at the meeting shall be a quorum for such meeting for the purpose of passing a resolution by that class.

At any general meeting, all resolutions shall be decided by written ballot. A resolution shall be passed if it is approved by the holders of at least a majority of the shares in issue of the class or classes entitled to vote thereon on the record date specified in the notice of the meeting, unless a greater percentage shall be required by law. Under Guernsey law certain matters, including amendments to articles of association, require approval by "special resolution", which requires the vote of 75% of the votes recorded at a general meeting where a quorum is present.

Subject to the requirements of law, a resolution passed by written consent shall be valid and effective as if it had been passed at a general meeting duly convened. A resolution may be passed by a class of shares by written consent in lieu of a general meeting if it shall be approved by holders of the percentage of shares of that class that it would have required if put to a vote at a general meeting at which all shares of that class entitled to vote were present in person. The Board of Directors may specify a record date for the determination of holders entitled to vote by written resolution. A written resolution shall be deemed to be passed on the date the requisite vote for passing such resolution is received, or such later date as may be specified in the written resolution.

The holders of Shares have the right to attend but not vote at the general meetings of the Issuer, except that the rights of any class of Shares may not be varied or abrogated without the consent of (i) the Voting Shares by resolution and (ii) if such change is adverse to the rights of the Shares, the holders of a majority of the Shares (subject to the requirements for a "special resolution" described above).

Winding Up and Liquidation

Subject to any requirements of law, the Issuer may only be wound up upon the adoption of a special resolution by the Voting Shares. If the Issuer is wound up, a liquidator shall, subject to applicable law, apply the assets of the Issuer in such manner or order as he thinks necessary or desirable in satisfaction of creditors' claims, and shall then distribute the assets available for distribution to the Shareholders. The assets of the Issuer available for distribution shall be first applied in repayment to the relevant Shareholders *pari passu* of the nominal amount of the Shares, and then to the relevant Shareholders *pari passu* of the nominal amount of Voting Shares. Any surplus assets then remaining shall be divided between holders of the Shares *pari passu* according to the number of Shares held. Voting Shares will not be entitled to any payment in respect of surplus.

If the Issuer shall be wound up (whether the liquidation is voluntary or compulsory), then the liquidator may, with the authority of a special resolution of the holders of the Voting Shares and any other sanction required by applicable law, divide among the Shareholders *in specie* the whole or any part of the assets of the Issuer, whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the holders of different classes of shares. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, and the liquidation of the Issuer may be closed and dissolved, but so that no holder shall be compelled to accept any assets in respect of which there is liability.

Historical Capital Structure of the Issuer

The Issuer's capital structure was originally divided into 10 founder shares (the "Founder Shares") and 49,999,990 unclassified shares, par value $0.001 per share. Unclassified shares were further divided into four types of shares: class A shares, class B shares, class C shares and nominal shares. All shares were in registered form and no share certificates were issued. All of the Issuer's shares, with the exception of the nominal shares and Founder Shares, carried equal rights in respect of dividends and distributions. Since its inception, the Issuer has paid no dividends. The number of shares outstanding on December 31, 2005 was 300,985, comprising 298,485 class A shares and 2,500 class B shares. The number of shares outstanding on December 31, 2006 was 4,034,501, comprising 3,501,654 class A shares, 10,473 class B shares and 522,374 class C shares. All outstanding shares on each such date were fully paid.

The Founder Shares were owned by the Principal Manager and were created and possessed the sole authority for creating additional shares.

The Principal Manager was obliged to subscribe for nominal shares in cash at par value when class A, class B or class C shares or other nominal shares were redeemed to ensure that funds were available to redeem the nominal amount paid-up on each such share unless the Directors decided that the nominal amount of such shares was to be redeemed out of profits. The Issuer had the right to redeem nominal shares at per value.

The nominal shares would only be issued at par value to the Principal Manager. The nominal shares carried no right to dividends. In a winding-up, they had right to repayment only of paid-up capital after repayment of the paid-up capital on the class A, class B and class C shares.

The class A and class C shares were issued to investors and contained identical rights and privileges except in respect of management fees, incentive fees and withdrawal rights.

The class B shares were only issued to employees or affiliates of the Investment Manager and collective investment schemes managed by Polygon U.K., Polygon U.S. or their affiliates. Holders of class B shares had the identical rights and privileges to holders of class A shares, except holders of class B shares were not required to pay an incentive fee.

All of the shareholders had equal voting rights under the Issuer's previous capital structure. In general, shareholders could act by a majority vote of shareholders in attendance at a meeting when a quorum was present. Although many resolutions could be approved by a majority of the shareholders present at a meeting, certain resolutions could only be considered when a quorum, which required the presence of all shareholders, was present. In addition, as described above, Guernsey law requires a "special resolution" to approve certain actions.

Modification of Existing Shares and Exchange Provisions Relating to the U.S. Feeder Fund Interests

Existing Shares in the Issuer

Immediately prior to the closing of the global offering (the "Effective Time"), all existing participating shares of the Issuer (the "Existing Shares") will be automatically converted into Shares of a single class having rights identical to those issued in the global offering at the ratios indicated below (the "Share Conversion Transactions"). Each class of Existing Shares will be converted at a ratio (each, a "Conversion Ratio") which will be calculated using the projected NAV per share for such class at the Effective Time, based on the actual NAV per share as of March 31, 2007 adjusted for (i) projected NAV growth for the period from March 31, 2007 to the Closing Date, (ii) projected closings of committed financings and redemptions scheduled to occur prior to the Effective Time and (iii) payment of incentive fees accrued prior to the closing of the global offering. Actual NAV per share for each class of Existing Shares as of the Effective Time will be determined as promptly as possible following the Effective Time (expected to be about ten days after the Effective Time). If actual NAV as of the Effective Time for any class is greater than the projected NAV per share used to calculate the Conversion Ratio for such class, the existing investors of such class shall receive a cash payment from the Master Fund equal to such difference. If actual NAV per share for a class is equal or less than the projected NAV used to calculate the Conversion Ratio for such class, no adjustments or cash payments shall be made to or by the existing investors of such class.

Using an estimated NAV per share at the Effective Time based on actual NAV as of February 28, 2007, the Company estimates that the Conversion Ratio with respect to class A shares will be 12.28, the Conversion Ratio with respect to class B shares will be 12.90 and the Conversion Ratio with respect to class C shares will be 12.63, provided that the actual number of Shares issuable to existing investors in Share Conversion Transactions will be reduced to the extent holders of the Master Fund's Growth Shares (the "Growth Shares") are entitled to receive Shares as described below. Also at the Effective Time, each Founder Share of the Issuer will be redesignated as one Voting Share and each nominal share of the Issuer will be canceled. The Growth Shares were issued by the Master Fund to the Principal Manager to reward the Principal Manager for the value delivered to shareholders as a result of an offering of shares of the Master Fund, the Issuer or the U.S. Feeder Fund. The Master Fund's articles of association and the Master Fund's and the Issuer's existing scheme particulars provide the Growth Shares a right to be redeemed at the holder's option in the event of a listing of the shares of the Master Fund, the Issuer or the U.S. Feeder Fund, in an amount determined by reference to a portion of the offering price premium over NAV associated with such listing. In order to give substantive effect to those provisions, in the event that, for any class of Existing Shares, the Offer Price represents a premium over NAV, meaning that it is greater than the higher of NAV per share on December 31, 2006 and NAV per share at the Effective Time divided by the Conversion Ratio for such class, holders of the Growth Shares shall receive Shares in the Issuer and limited partnership interests in the U.S. Feeder Fund equal to 20% of such premium, adjusted for fees and expenses in connection with the global offering (divided pro rata between Shares and U.S. Feeder Fund interests), and the total number of Shares of the Issuer and limited partnership interests of the U.S. Feeder Fund that will be held by the holders of Existing Shares and holders of existing limited partnership interests in the U.S. Feeder Fund (the "Existing Interests") as a result of the Share Conversion Transactions and LP Conversion Transactions (as defined below) will also be reduced by an equal amount (and divided pro rata between them). The Growth Shares will be retired on the closing of the global offering and will cease to be outstanding.

Existing U.S. Feeder Fund Limited Partnership Interests

Also at the Effective Time, all Existing Interests will be denominated in limited partnership units of a single class having one-for-one exchange rights for Shares or cash as described under "Exchange Agreement" below (the "LP Conversion Transactions"). The limited partnership interest of each limited partner of the U.S. Feeder Fund will be denominated as a number of limited partnership units equal to (a) the limited partner's projected Effective Time NAV divided by (b) 10, calculated using the projected NAV of such limited partner's interest at the Effective Time, based on the actual NAV as of March 31, 2007 adjusted for (i) projected NAV growth for the period from March 31, 2007 to the Closing Date of the global offering, (ii) projected closings of committed financings and withdrawals scheduled to occur prior to the Effective Time and (iii) payment of incentive fees accrued prior to the closing of the global offering. Actual NAV of each limited partner's interest as of the Effective Time will be determined as promptly as possible following the Effective Time (expected to be about ten days after the Effective Time). If actual NAV as of the Effective Time for a limited partner's interest is greater than the projected NAV used to calculate the denomination of limited partnership units for such limited partner, such limited partner shall receive a cash payment equal to such difference. If actual NAV for a limited partner's interest is equal or less than the projected NAV used to calculate the denomination of limited partnership units for such limited partner, no adjustments or cash payments shall be made to or by such limited partner. Immediately following the closing of the global offering, the number of U.S. Feeder Fund limited partnership units outstanding and exchangeable for Shares is estimated to be 20,802,189 calculated using the estimated NAV set forth above.

Denominations of limited partnership units will be adjusted to take into account any allocation of limited partnership interests to holders of Growth Shares as described above under "Existing Shares of the Issuer".

Exchange Agreement

The Issuer and the U.S. Feeder Fund will enter into an irrevocable exchange agreement on the Closing Date (the "Exchange Agreement"). The Exchange Agreement provides that at the request of a holder of the U.S. Feeder Fund limited partnership units, the Issuer will acquire the holder's U.S. Feeder Fund limited partnership units for either (A) an equal number of newly issued Shares or (B) cash equal to the fair market value on the day of such request of an equal number of Shares (each such exchange, an "Exchange"). A holder may request to make an Exchange at any time on or after the Closing Date. Exchanges will be subject to no conditions precedent other than delivery of appropriate request documentation. No Shares will be issued in respect of an Exchange prior to the closing of the global offering. The Issuer may elect in its sole discretion which form of consideration to use, provided that the Issuer will be deemed to have elected to exchange Shares if it does not notify the holder that it elects to pay cash within one Business Day following the transfer request. In connection with any Exchange, in the event the Issuer receives limited partnership units from the U.S. Feeder Fund, the Issuer shall (in the event it exchanges Shares), and shall have the right to (in the event it exchanges cash), require the U.S. Feeder Fund to redeem the exchanged limited partnership units from the Issuer in exchange for the number of shares in the Master Fund held by the U.S. Feeder Fund that correspond to such exchanged limited partnership units.

THE MASTER FUND

The Master Fund was registered in Guernsey on June 23, 2005 under the provisions of the Companies Law as a company limited by shares, with registered number 4322. All voting shares of the Master Fund are held by the Voting Shareholder. The Master Fund changed its name from Polygon Credit Income Master Fund Limited to Tetragon Credit Income Master Fund Limited on February 10, 2006 and is expected to change its name to Tetragon Financial Group Master Fund Limited on or about March 30, 2007. In addition, on March 22, 2007 the shareholders of the Master Fund passed a resolution, to be conditional upon the closing of the offering, amending its articles of association to modify, among other things, its capital structure as described below. Such amendment to the Master Fund's articles of association will also effect the conversion of the Master Fund into a closed-ended fund by eliminating redemption rights of investors. The Master Fund continues to be registered and domiciled in Guernsey.

Capital Structure of the Master Fund

The following is a description of the capital structure of the Master Fund that will be in effect at the time of the closing of the global offering. The Master Fund has an authorized share capital of $1,000,000 divided into 10 voting shares, having a par value of $0.001 each and 999,999,990 non-voting shares, having a par value of $0.001 each. Unclassified shares are available for issue as non-voting shares. All of the Master Fund voting shares are issued at par and are beneficially owned by the Voting Shareholder. The Master Fund non-voting shares are beneficially owned by the Issuer and the U.S. Feeder Fund in proportion to their relative capital. All shares are in registered form and no share certificates will be issued. The non-voting shares in the Master Fund carry identical rights and are subject to identical restrictions as the Shares in the Issuer as set out in "—Capital Structure of the Issuer". The Voting Shares carry no rights to dividends.

Historical Capital Structure of the Master Fund

The number of participating shares outstanding on December 31, 2005 was 828,485, and the number of participating shares outstanding on December 31, 2006 was 4,893,542. All outstanding shares on each such date were fully paid. Since its inception, the Master Fund has paid no dividends.

SUMMARY OF THE ISSUER'S MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum of Association of the Issuer provides that the objects of the Issuer include carrying on business as an investment holding company. The objects of the Issuer are set out in full in clause three of the Memorandum of Association, copies of which are available for inspection at the registered office of the Issuer.

The Articles of Association will be amended immediately before closing of the global offering. The Articles of Association as they will be in effect at the closing of the global offering contain provisions, *inter alia*, to the following effect:

Share Capital

The share capital of the Issuer is $1,000,000 divided into 10 Voting Shares of $0.001 each and 999,999,990 non-voting shares (which are the "Shares" referred to herein) of $0.001 each.

Issue and Transfer of Shares

The Directors, upon the recommendation of the Investment Manager and with the prior approval of a resolution of Voting Shares, may allot, issue or otherwise dispose of Shares to such persons, at such times, for such consideration and on such terms and conditions as they deem necessary or desirable. The Issuer may repurchase Shares and hold Shares as treasury shares.

Shares are not transferable except pursuant to regulations that the Directors may adopt in their discretion. The Directors have approved the transfer provisions set forth in this prospectus. In the event a Share may be transferred, a Shareholder may transfer a certificated Share in any usual form or any other form which the Directors approve in their discretion. The Directors have the power to implement such arrangements as they may determine to be reasonable and necessary in order for any class of shares to be listed on a securities exchange and/or admitted to settlement through any clearance or settlement system.

Under the regulation adopted by Directors, the registration of transfers of Shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may determine. The Directors may refuse to register any transfer which would be contrary to certain legal, residence or ERISA restrictions or of any Share which is not fully paid or on which the Issuer has a lien. The Directors may also refuse to register a transfer of a certificated share, unless the instrument of transfer is in respect of only one class of Shares, is in favor of not more than four transferees and is delivered for registration to the registered office or such place as the Directors may decide, and is accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the title of the transferor or his right to make the transfer.

Furthermore, the Directors may compel the transfer of any Shares that are owned directly or beneficially by any person because that person's direct or beneficial ownership of the Shares is contrary to any legal, residence, tax or ERISA restrictions, or contrary to any regulations adopted by the Directors or provisions of the Articles of Association, as may be in effect from time to time. The Directors may effect a compulsory transfer of Shares by serving the holder of the Shares written notice to transfer the Shares to

another person, who the Directors have determined is eligible to own the Shares. If the holder does not comply with the written notice, the Issuer may sell the Shares on the holder's behalf.

In addition, any purported acquisition or holding of a Share with the assets of an employee benefit plan will be void and shall have no force and effect. If any entity acting on behalf of an employee benefit plan acquires or holds shares in violation of certain limitations, Shares acquired or held by such entity shall be deemed to be Shares in trust and such Shares shall be transferred automatically and by operation of law to a trust.

Voting

Holders of Shares shall be entitled to receive notice of and attend and speak at any general meeting of the Issuer. However, only the holder of the Voting Shares shall have the right to vote at general meetings of the Issuer, subject, however, to the voting rights for the Shares specified under "—Variation of Rights". The holders of a majority of the shares in issue of each class entitled to vote at the meeting shall be a quorum for such meeting for the purpose of passing a resolution by that class.

At any general meeting, all resolutions shall be decided by written ballot. A resolution shall be passed if it is approved by the holders of at least a majority of the shares in issue of the class or classes entitled to vote thereon on the record date specified in the notice of the meeting, unless a greater percentage shall be required by law. At any general meeting of shares of a class, votes may be given either personally or by proxy.

Size, Independence and Composition of the Board of Directors

The number of Directors shall be seven unless otherwise determined by a resolution of the Voting Shareholder. Subject as set out below, not less than a majority of the Directors must be independent. A Director will be an "Independent Director" if the Board of Directors determines that the person satisfies the standards for independence contained in the U.K. Combined Code in all material respects. If the death, resignation or removal of an Independent Director results in the Board of Directors having less than a majority of Independent Directors, the vacancy must he filled promptly. Pending the filling of such vacancy, the Board of Directors may temporarily consist of less than a majority of Independent Directors and those Directors who do not meet the standards for independence may continue to hold office. A Director who is not an Independent Director will not he required to resign as a Director as a result of an Independent Director's death, resignation or removal. The Board of Directors may not consist of a majority of Directors who are resident in the United Kingdom.

Election and Removal of Directors

Each member of the Board of Directors is elected annually by the holders of Voting Shares. All vacancies on the Board of Directors including by reason of death or resignation may be filled, and additional Directors may be appointed by a resolution of the holder of the Issuer's Voting Shares.

A Director may be removed from office for any reason by notice requesting resignation signed by all other Directors then holding office, if the Director is absent from four successive meetings without leave expressed by a resolution of the Directors or for any reason by a resolution of the holders of Voting Shares. A Director will also be removed from the Board of Directors if he becomes bankrupt, if he becomes of unsound mind, if he becomes a resident of the United Kingdom and such residency results in a majority of the Board of Directors being residents of the United Kingdom or if he becomes prohibited by law from acting as a Director. A Director is not required to retire upon reaching a certain age.

Action by the Board of Directors

The Board of Directors may take action in a duly convened meeting, for which a quorum is five Directors or by a written resolution signed by at least five Directors. When action is to be taken by the Board of Directors, the affirmative vote of five of the Directors then holding office is required for any action to be taken. The Directors are responsible for making decisions for the Issuer. They have delegated to the Investment Manager certain functions, including broad discretion to adopt an investment strategy to implement the Company's investment objective. However, certain matters are specifically reserved for the Board of Directors under the Articles of Association, including the power to modify the Company's investment objective, declare dividend payments, authorize Share repurchases and borrow or raise money and secure any debt or obligation of the Issuer.

Transactions in which a Director has an Interest

Provided that a Director has disclosed to the other Directors the nature and extent of any material interests of his, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Issuer or in which the Issuer is otherwise interested, and shall not be accountable to the Issuer for any benefit derived from any such transaction or arrangement, and no such transaction or arrangement shall be void or voidable on the ground of any such interest or benefit or because such Director is present at or participates in the meeting of the Directors that approves such transaction or arrangement, *provided* that (i) the material facts as to the interest of such Director in such transaction or arrangement have been disclosed or are known to the Directors and the Directors in good faith authorize the transaction or arrangement and (ii) the approval of such transaction or arrangement includes the votes of a majority of the Directors that are not interested in such transaction or such transaction is otherwise found by the Directors (before or after the fact) to be fair to the Issuer as of the time it is authorized.

Audit Committee

The Board of Directors is required to establish and maintain at all times an audit committee consisting solely of Independent Directors.

The audit committee will be responsible for assisting and advising the Board of Directors with matters relating to:

- the Issuer's accounting and financial reporting processes;
- the integrity and audits of the Issuer's financial statements;
- the qualifications, performance and independence of the Issuer's independent accountants;
- the qualifications, performance and independence of any third party that provides valuations for the Issuer's investments; and
- recommending to the holders of Voting Shares the firm of independent accountants to be engaged to conduct audits.

The audit committee is responsible for reviewing and making recommendations with respect to the plans and results of each audit engagement with the Issuer's independent accountants, the audit and non-audit fees charged by the Issuer's independent accountants and the adequacy of the Issuer's internal accounting controls.

Compensation

The remuneration for Directors shall be determined by resolution of the Voting Shareholder.

Winding-up

Subject to any requirements of law, the Issuer shall only be wound up upon the adoption of a resolution of the Voting Shares. On a winding-up, the Shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Issuer and the nominal value of the Shares and the Voting Shares on a *pari passu* basis.

Dividends

The Directors may, upon the recommendation of the Investment Manager and subject to the approval of the Voting Shares by resolution, declare periodic dividends from time to time in respect of Shares in issue, in accordance with the respective rights of the Shareholders, out of the profits of the Issuer. No dividend shall be payable on the Voting Shares.

The Directors may, with a resolution of Voting Shares, allot to Shareholders who elect to receive them further Shares, credited as fully paid, instead of cash in respect of all or a part of a dividend (a "scrip dividend").

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Issuer until claimed and the Issuer shall not be constituted a trustee thereof. No dividend shall bear interest against the Issuer. Any dividend unclaimed after a period of three years from the date when it became due for payment shall be forfeited and shall revert to the Issuer.

The Directors are empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute by dividend.

Commission

The Issuer may pay commissions in money or shares or a combination thereof at such a rate or amount fixed by the Directors not exceeding 10% of the price at which the Shares are issued. The Issuer may also pay brokerages.

Notices

Any notice to be given to or by any person pursuant to the Articles of Association shall be in writing except that a notice calling a meeting of the Directors or any committee of the Directors need not be in writing. A notice may be given by the Issuer to any Shareholder either personally or by sending it by post in a pre-paid envelope addressed to the Shareholder at his registered address or by any other method permitted by law. A notice sent by post shall be deemed to have been received on the fifth day after the day of posting.

A notice may be given by the Issuer to the joint holders of a share by giving the notice to the joint holder first named in respect of the share in the register of Shareholders.

A notice may be given by the Issuer to the persons entitled to a share in consequence of the death or bankruptcy of a shareholder by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

Any general meeting shall be called on such notice as shall be required by law. Notice shall be given to

- every shareholder;
- every person entitled to a share in consequence of death, bankruptcy or incapacity of a shareholder;
- the auditor for the time being of the Issuer;
- each Director;
- the Investment Manager; and
- such other persons as the Directors from time to time shall determine.

No other person shall be entitled to receive notices of general meetings. The notice must specify the time and place of the meeting, the record date for determining holders entitled to vote and the general nature of the business to be transacted. The accidental omission to give notice of any meeting or the non-receipt of such notice by any shareholder shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting.

Borrowing Powers

Subject to any limits contained in resolutions adopted by the Voting Shares, the Directors may exercise all the powers of the Issuer to borrow or raise money and secure any debt or obligation of or binding on the Issuer in any manner including by the issue of debentures (perpetual or otherwise) and to secure the repayment of any money borrowed raised or owing by mortgage, charge, pledge or lien upon the whole or any part of the Issuer's property or assets (whether present or future) and also by a similar mortgage, charge, pledge or lien to secure and guarantee the performance of any obligation or liability undertaken by the Issuer or any third party. No borrowing or leverage limits have been adopted by the holders of the Voting Shares regarding these borrowing powers.

Variation of Rights

The special rights attached to the Shares may not be varied or abrogated either while the Issuer is a going concern or during or in contemplation of a winding up without (a) the approval by resolution of the Voting Shares and (b) if such change is adverse to the rights of the Shares, the approval by resolution of the Shares (subject to the statutory requirements for a "special resolution").

The special rights conferred upon the holders of Shares shall not be deemed to be varied by the creation, allotment, issue, redemption or purchase of further Shares or any class ranking *pari passu* therewith, the creation, allotment, issue, redemption or purchase of Voting Shares or the creation of unclassified shares.

Alteration of Capital

The Issuer may, by resolution of the Voting Shares, increase the authorized share capital by such sum, to be divided into shares of such amount as the resolution shall describe. The Directors may also, with the prior approval of a special resolution of the Voting Shares, from time to time reduce the Issuer's share capital, any capital redemption reserve or any share premium account in any way. The Issuer may, by resolution of the Voting Shares, consolidate and divide any of its share capital into shares of larger amount than its existing shares, sub-divide any of its shares into shares of smaller amount and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Disclosure of Interests

At any time upon written notice from the Directors, any person who is registered as the holder of Shares according to the register of the Issuer may be required to disclose the identity of any other person who has any interest in the Shares held by the holder of Shares, the nature of this interest and any other documents to verify the identity of the holder of Shares and/or interested party as the Directors deem necessary. If the holder of Shares does not disclose the requested information about the Shares within the prescribed period, then the Directors may issue a second notice, which directs that the holder of Shares is not, in respect of any Shares held by him, entitled to vote or to be treated as in issue at a general meeting or at any meeting of the holders of any class of Shares or to exercise any other right conferred to holders of Shares in relation to meetings of the Issuer or of the holders of any class of Shares of the Issuer. Additionally, if the holder of the Shares holds at least 0.25% of the issued Shares of the class concerned, then the second notice may also direct that any dividend or amount that would otherwise be payable in respect of the Shares be withheld and that the registration of certain transfers of the Shares, other than approved transfers, be suspended. The restrictions of the notice will continue in full force and effect until the holder of the Shares either provides the requested information to the Issuer or transfers the Shares pursuant to an approved transfer. The Issuer shall maintain a register of interested parties who have any interest in the Shares held by a registered holder and, whenever in pursuance of a requirement imposed as aforementioned, the Issuer is informed of an interested party, the identity of the interest party and the nature of the interest should be indicated thereon.

Selection of Investment Manager

The Issuer by resolution of the holders of the Voting Shares is entitled to select the Investment Manager or replacements thereof in the event of termination.

Division of Assets Upon Liquidation

If the Issuer is wound up, the liquidator may with the authority of a resolution of the Voting Shares and any other sanction required by law, divide among Shareholders in specie the whole or any part of the assets of the Issuer.

SUMMARY OF THE MASTER FUND'S MEMORANDUM AND ARTICLES OF ASSOCIATION

The memorandum and articles of association of the Master Fund, as amended immediately before the closing of the global offering, will be identical in all material respects to the Memorandum and Articles of Association of the Issuer, as amended immediately before the closing of the global offering.

GENERAL

Directors' Interests

No Director of the Issuer or the Master Fund has in respect of the five years preceding the date of this document:

- save as set out below, been a member of the administrative, management or supervisory bodies or partner of any companies or partnerships;
- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from

acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company, or

- been associated with any bankruptcy, receivership or liquidation in which such person acted in the capacity of a member of an administrative, management or supervisory body or senior manager.

There are no outstanding loans granted by the Issuer or the Master Fund to Directors, nor are there any guarantees provided by the Issuer or the Master Fund for the benefit of any Director.

No Director has any potential conflicts of interests between any duties the Director owes to the Issuer or the Master Fund and any private interests and/or other duties, except that: (i) Messrs Dear, Reade and Wishnow are affiliates of the Investment Manager, (ii) Messrs. Dear and Griffith are affiliates of the Polygon Global Opportunities Fund and the Polygon Global Opportunities Master Fund which invest in the U.S. Feeder Fund (iiii) a number of Directors currently serve, and any in the future serve, as directors of other companies engaged in the making of investments, some of which companies have investment strategies similar to or overlapping with that of the Issuer; and (iv) Mr. Knief is a director of Polygon Global Opportunities Fund and Polygon Global Opportunities Master Fund, which invest in the U.S. Feeder Fund.

No Director has had any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Issuer and which was effected by the Issuer since its incorporation.

There are no arrangements between the Issuer or the Master Fund and the Directors providing for benefits upon termination of employment.

Over the five years preceding the date of this document, the Directors hold or have held the following directorships (apart from their directorships of the Issuer and the Master Fund) or memberships of administrative, management or supervisory bodies and/or partnerships:

Name	Current directorships/partnerships	Previous directorships/partnerships
Byron Knief	DavCo Restaurants, Inc. Standard Steel Corporation JAC Products, Inc. Olameter, Inc. Polygon Global Opportunities Fund Polygon Global Opportunities Master Fund Brokertec Global LLC The Milbank Memorial Fund The Mountaintop Arboretum	
Lee Olesky	TradeWeb Coalition Development Limited	
Rupert Dorey	M&G General Partner Inc, Episode LLP & Episode Inc. Onesimus Dorey (Holdings) ltd AcenciA Debt Strategies Ltd PSolve Alternatives PCC ltd Niche Opportunities Fund KGR Absolute Return Fund PCC ltd MAISF PCC Ltd Central European Long Short Fund MAISF PCC Ltd Convertible Bond Arbitrage Fund MAISF PCC Ltd G7 Fixed Income Fund MAISF PCC Ltd Socially Responsible Investment Long Short Fund MAISF PCC Ltd UK Equity Long Short Fund Green Park Capital Investment Management Ltd Cognis General Partner/Cognis 1 Master Fund LP/ Cognis 1 Fund Dexion Alpha Strategies Ltd AP Alternative Investments LP, AAA Guernsey Ltd	

Name	Current directorships/partnerships	Previous directorships/partnerships
	Partners Group Global Opportunities Ltd Celadon Fund PCC Ltd Babcock & Brown Public Partnerships Ltd Endurance High Performance Fund Ltd Clifford Estates Company Ltd Clifford Estates Company (Chattels) Ltd	
David Jeffreys	Tetragon Financial Group Limited Tetragon Financial Group Master Fund Limited EQT Guernsey Limited EQT I and III Limited EQT DLP Limited Munksjö Guernsey Holding Limited Munksjö Luxembourg SarL Wöpnnif Holdings Limited Nnifpow Holdings Limited EQT III Ch I and II SarL EQT IV Limited EQT IV Investments Limited EQT IV RFA Limited Caesar Holding Limited Caesar Raseac SarL FS Invest SarL FS Invest 2 SarL Oskar Rakso SarL Seeker Guernsey Holdings Limited Seeker Reekees SarL Sapling HoldCo 1 and 2 Limited SSP Financing Limited Wire Holding Guernsey Limited Gordon Holding Guernsey Limited Gordon Holding Guernsey I-V Limited EQT Opportunity Limited EQT Opportunity Investments Limited EQT Opportunity RFA Limited Phoenix Holding Guernsey Limited EQT Greater China II Limited EQT Greater China Investments II Limited EQT Greater China RFA Limited Roma Holding (Guernsey) I and II Limited EQT V Limited EQT V Investments Limited EQT V RFA Limited Alpha Pyrenees Trust Limited Alpha Pyrenees Trust Finance Company Limited Alpha Pyrenees Luxembourg SarL Alpha Tiger Property Trust Limited Alpha German Property Income Trust Limited Alpha German Property Income Trust SPV 1-10 Limited Ingenious Media Acquisition Capital Limited Multi-Manager Investment Programmes PCC Limited Reiten Capital Partners VI GP Limited Pistaz Holdings Limited Pistaz Property III, V, VII, XI, XIII and XVII Limited Pistaz Investments Limited Prime Infrastructure (Channel Islands) Holdings Limited	Abacus Fund Managers (Guernsey) Limited

Name	Current directorships/partnerships	Previous directorships/partnerships
	Prime Infrastructure (Guernsey) Holdings Limited	
	Prime Infrastructure (Jersey) Holdings Limited	
	Prime Infrastructure (Guernsey) Limited	
	Abacus (GSK) Trustees Limited	
	The Abacus Global Managed Pension Plan Limited	
	Whiteley Trustees Limited	
	Abacus (C.I.) Limited	
	Abacus (Guernsey) Limited	
	Abacus Corporate Nominees Limited	
	Abacus Corporate Services Limited	
	Abacus Corporate Trustee Limited	
	Abacus Financial Services Limited	
	Abacus Fund Managers (Guernsey) Limited	
	Abacus Fund Managers (Jersey) Limited	
	Abacus Group Services (Guernsey) Limited	
	Abacus Secretaries (Guernsey) Limited	
	Abacus Trustees (Guernsey) Limited	
	Abacus Trustees (Jersey) Limited	
	Avenue Investments Limited	
	Breakwater Limited	
	Burwood Investments Limited	
	Court Lodge Limited	
	Crecy Investments Limited	
	Cygnet Ventures Limited	
	Seaglase Limited	
	Elmleigh Holdings Limited	
	Crofton Holdings Inc	
	Drystart Inc.	
	Eagle Ventures Limited	
	Heathcote Investments Inc	
	Japat Limited	
	Rum Point Property Ltd	
	Viking Technology Limited	
	Internet Ventures Limited	
	Maclen Limited	
	Partridge Ventures Limited	
	Phoenix Ventures Limited	
	Raven Ventures Limited	
	Red Kite Ventures Limited	
	Ropat Limited	
	Sabresteel Limited	
	Swan Ventures Limited	
	Tosli Investments Limited	
	Wingate Developments Limited	
	Wild Goose Limited	
	Hammex Trading Limited	
	Picus Limited	
	Shandrani Limited	
	Knowledge Brokers International Limited	
	Curbridge Holdings Limited	
	Fareham Investment Properties Limited	
	Hightor Limited	
	Trinity Investments Limited	
	Kingfisher Limited	
	Progress Enterprises SA	
	J.T. Limited	
	Templar Tax Services Limited	
	Progress Enterprises SA	
	Heathcote Investments Inc	

Name	Current directorships/partnerships	Previous directorships/partnerships
	Anderson & Anderson International Limited	
	Antwi Investments Limited	
	Bailiwick Treasury Services Limited	
	Booker Tate Overseas Pension Plan Limited	
	Breakwater Limited	
	Brisk Holdings Limited	
	Burwood Investments Limited	
	Consulting and Executive Services Limited	
	Court Lodge Limited	
	Crecy Investments Limited	
	Curbridge Holdings Limited	
	Dotcomplement Limited	
	Dryade Investments Limited	
	Du Parcq (Guernsey) Limited	
	EAC Investco Limited	
	EAC Opco Limited	
	Elmleigh Holdings Limited	
	EQT DLP Limited	
	EQT III Limited	
	Fareham Investment Properties Limited	
	Global Beauty Holding Limited	
	Global Beauty Limited	
	Global Media Limited	
	Gold King Co. Limited	
	Hammex Trading Limited	
	HDT Company Turnaround Management and Consultancy Limited	
	IGC GP Limited	
	Internet Ventures Limited (In Liquidation)	
	Investor (Guernsey) II Limited	
	Investor Capital Management Asia Limited	
	Investor Group Asia G.P. Limited	
	Investor Group G.P. Limited	
	Investor Growth Capital Limited	
	Investor Investment AEA Limited	
	Investor Investment August Capital Limited	
	Investor Investment Capital Partners Limited	
	Investor Investment EVP Limited	
	Investor Investment HCV Limited	
	Investor Investment HFPC IV Limited	
	Investor Investment IdeaEdge Limited	
	Investor Investment Menlo Limited	
	Investor Investment MF XI Limited	
	Investor Investment MSDW Limited	
	Investor Investment NCP Limited	
	Investor Investment Northern Europe Limited	
	Investor Investment PGI Limited	
	Investor Investment Polaris IV Limited	
	Investor Investment Polaris Limited	
	Investor Investment SC Limited	
	Investor Investment SHV 2 Limited	
	Investor Investment SHV Limited	
	Investor Investment TWCP Limited	
	Investor Investment USVP Limited	
	Investor Investment WT4 Limited	
	Investor Investments Asia Limited	
	Investor Investments Novare Limited	
	ISP Trustee Company Limited	
	Jecos Limited	

Name	Current directorships/partnerships	Previous directorships/partnerships
	Jera Limited	
	Jervis Limited	
	Le Vallon Estates Limited	
	Maclen Limited	
	Malero Limited	
	Manifest Yourself Limited	
	Medical Patents Limited	
	Nextgear Invest Limited	
	Nextgear SPV II Limited	
	Nextgear SPV Limited	
	Nowor Limited	
	Panache Properties (U.K.) Limited	
	Pepaju Limited	
	Picus Limited	
	Roots Investments Limited	
	Row Limited	
	SFS International Finance Limited	
	Shandrani Limited	
	Sherbourne Limited	
	Simi Limited	
	Step by Step Limited	
	Templar Guernsey Limited	
	Templar International Treasury Services Limited	
	The Red Sunset Holding Limited	
	Thunderbolt Holdings Limited	
	Timani Limited	
	Tosli Investments Limited	
	TTSL Guernsey Limited	
	Wild Goose Limited	
	Yarra Properties Limited	
	Zettech Software Products Limited	
Reade Griffith	Polygon Investment Partners LLP	
	Polygon Investment Partners LP	
	Polygon Investment Management Ltd	
	Polygon Credit Management (Guernsey) Limited	
	REG Holdco Ltd.	
	Polygon Credit Management LP	
	Polygon Credit Management GP LLC	
	Polygon Credit Holdings Ltd	
	Polygon Investment Partners GP LLC	
	Polygon Investment Partners HK Limited	
	GLB Partner LP	
Paddy Dear	Polygon Investment Partners HK Limited	GLB Partner LP
	Polygon Investment Partners LP	UBS Nederland
	Polygon Investment Partners GP LLC	
	Polygon Investments Ltd.	
	Polygon Investment Management Ltd	
	Polygon General Partner Ltd.	
	Polygon Credit Management LP	
	Polygon Credit Management GP LLC	
	Polygon Credit Holdings Ltd	
	PIES	
David Wishnow	Polygon Credit Management LP	
	HRW Holdings LLC	

Ownership Interests

As of March 1, 2007, the ownership interests of the members of the Board of Directors in the Shares of the Issuer will be as follows, based on information provided to the Board of Directors by the individual Directors:

Name	Number of Shares[1]
Byron Knief	0
Lee Olesky	52,049
Rupert Dorey	0
David Jeffreys	0
Reade Griffith	1,035,754
Paddy Dear	239,388
David Wishnow	227,961

(1) Giving effect to the Share Conversion Transactions and LP Conversion Transactions, using the estimated Conversion Ratios set forth on page 175 and assuming no allocation is made to the holders of Growth Shares. Interests in the U.S. Feeder Fund are presented on a fully-exchanged basis.

Except as set out above, none of the Directors are expected to have any ownership interests in the Shares of the Issuer immediately following the global offering. No Directors holds options to acquire Shares of the Issuer or will hold such options immediately following the global offering.

Only the Voting Shares will have any voting rights. The Shares will be non-voting provided that the Shares shall have limited voting rights in connection with modifications of rights of the Shares.

Immediately following the closing of the global offering, Polygon Credit Holdings II Limited, an affiliate of the Investment Manager would, directly or indirectly, jointly or severally, exercise control over the Board of Directors as the only holder of Voting Shares. The Issuer is not aware of any arrangements the operation of which may at a subsequent date result in a change of control over the Issuer.

There are no notification requirements under Guernsey law pursuant to which another person or entity having an interest in the Issuer's or the Master Fund's capital or voting stock would have to notify such interest.

Certain Recent Purchases

The table below sets out purchases of securities of the Issuer made during the past year by Polygon, employees, Directors and Principals (including entities controlled by such persons).

	Number of Shares[1]	Average Purchase Price[2]
Polygon Global Opportunities Master Fund	6,922,222	$ 9.62
Other employees, Directors and Principals*	1,946,955	$ 9.66

(1) Giving effect to Share Conversion Transactions and LP Conversion Transactions, using the estimated Conversion Ratios set forth on page 175 and assuming no allocation is made to the holders of Growth Shares. Purchases of interests in the U.S. Feeder Fund are presented on a fully-exchanged basis. See "—Capital Structure of the Issuer—Modification of Existing Shares and Exchange Provisions Relating to U.S. Feeder Fund Interests". For U.S. Feeder Fund investors, the number of Shares purchased in the past year has been calculated by multiplying the total number of Shares issuable to an investor in the conversion by the percentage of the total historical amount invested by such investor attributable to investments during the past year.

(2) All purchase prices are calculated by dividing the Issuer NAV per share on the relevant purchase date by the applicable Conversion Ratio.

* Purchases by other employees, Directors and Principals during the past year account for less than 2% of total capital of the Issuer.

Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) are contracts which have been entered into by the Issuer or the Master Fund since incorporation, and which are or may be material or are contracts entered into by the Issuer or the Master Fund which contain any provisions

under which the Issuer or the Master Fund has any obligation or entitlement which is or may be material to the Issuer or the Master Fund at the date of this document:

Investment Management Agreement

Under the Investment Management Agreement, to be entered into on the Closing Date among the Issuer, the Master Fund, the U.S. Feeder Fund and the Investment Manager, the Investment Manager has been appointed the investment manager of the Issuer, the Master Fund and the U.S. Feeder Fund and to provide investment management services to each entity, in accordance with the terms of the Investment Management Agreement. The Investment Manager has full discretion, in accordance with the terms of the Investment Manager Agreement, to invest the assets of the Issuer, the U.S. Feeder Fund and the Master Fund in a manner consistent with the investment objectives described in this prospectus. The Investment Manager is authorized to delegate its functions under the Investment Management Agreement. The Investment Management Agreement provides that none of the Investment Manager, its affiliates or their respective members, managers, partners, shareholders, directors, officers and employees (including their respective executors, heirs, assigns, successors or other legal representatives) (each, an "Investment Manager Indemnified Party") will be liable to the U.S. Feeder Fund, the Master Fund, the Issuer or any investor for any liabilities, obligations, losses, damages, actions, proceedings, suits, costs, expenses, claims and demands suffered in connection with the performance by the Investment Manager of its obligations under the Investment Management Agreement or otherwise in connection with the business and operations of the Issuer, the U.S. Feeder Fund and the Master Fund in the absence of fraud or wilful misconduct on the part of an Investment Manager Indemnified Party. The Investment Management Agreement will continue in force until terminated by the Investment Manager upon 60 days' notice or upon the occurrence of certain events specified under "Part II—The Company's Management—Relationship with Polygon—Summary of Key Terms of the Investment Management Agreement".

Services Agreement

The Services Agreement, which will be entered into on the Closing Date (the "Services Agreement"), contains provisions, *inter alia*, to the following effect:

Under the Services Agreement, Polygon U.K. and Polygon U.S. provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager (the "Services"). The Investment Manager is authorized under the Investment Management Agreement to delegate the provision of any Services for the Issuer, the U.S. Feeder Fund and the Master Fund. The Services Providers are entitled to receive fees in consideration for the Services provided under the Services Agreement. The Services Agreement will continue in force until terminated by the Investment Manager, Polygon U.K. or Polygon U.S. upon 60 days' notice or upon notice of certain events specified under "Part II—The Company's Management—Relationship with Polygon—Services Agreement".

Administration Agreement

The Issuer, the U.S. Feeder Fund and the Master Fund will enter into an administration agreement on the Closing Date (the "Administration Agreement") with Kleinwort Benson (Channel Islands) Fund Services Limited (the "Administrator"), pursuant to which the Administrator provides certain financial, accounting, corporate, administrative and other services. The Administrator receives a monthly fee pursuant to the Administration Agreement for the provision of administrative and/or other services. The Administration Agreement may generally be terminated without penalty by any party on each third anniversary of the Administration Agreement subject to 90 days' notice, except that it may be terminated at any time in certain circumstances.

Sub-Administration Agreement

The Administrator will delegate certain of its duties to Investors Fund Services (Ireland) Limited (the "Sub-Administrator") pursuant to a sub-administration agreement (the "Sub-Administration Agreement") to be entered into on the Closing Date. The Issuer, the U.S. Feeder Fund and the Master Fund are parties to the Sub-Administration Agreement, and have consented to the appointment of the Sub-Administrator thereunder. The Sub-Administration Agreement may generally be terminated without penalty by any party on each third anniversary of the Sub-Administration Agreement subject to 90 days' notice, except that it may be terminated at any time in certain circumstances.

Purchase/Placement Agreement

Pursuant to the purchase/placement agreement to be entered into as of the date of this prospectus among the Issuer, the Voting Shareholder, the Master Fund and the Joint Bookrunners, the Joint Bookrunners will agree to purchase, and we will agree to sell to the Joint Bookrunners the aggregate number of Shares set forth on the cover of this prospectus (less any Shares sold directly by the Issuer in the private placement to AIs) at the Offer Price less the Joint Bookrunners' commission.

The purchase/placement agreement will provide that the obligations of the Joint Bookrunners to pay for and accept delivery of the Shares related to the global offering are subject to the approval of certain legal matters by their counsel and to other conditions, including the truth and completeness of customary representations and warranties and other statements made by the Issuer, the performance of customary obligations by the Issuer and the satisfaction of other customary conditions, including those relating to legal opinions, officers' certificates, the condition of the Issuer and its affiliates (including absence of material adverse change) and market conditions, all as set forth in the purchase/placement agreement. The purchase/placement agreement will also set forth the terms of the Over-allotment Option.

The Joint Bookrunners will be entitled to be released and discharged from their obligations under, and to terminate, the purchase/placement agreement in certain circumstances prior to payment for the Shares. If a Joint Bookrunner defaults, the purchase/placement agreement will provide that the purchase commitments of the non-defaulting Joint Bookrunner may be increased or the purchase/placement agreement may be terminated.

The purchase/placement agreement will provide that the Issuer will indemnify the Joint Bookrunners and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the Shares, and will contribute to payments the Joint Bookrunners and their affiliates may be required to make in respect of those liabilities.

Prime Brokerage Agreement

Morgan Stanley & Co. International Limited (the "Prime Broker"), a member of the Morgan Stanley group of companies based in London, provides prime brokerage services to the Master Fund under the terms of the International Prime Brokerage Agreement (the "Prime Broker Agreement") entered into between the Master Fund and the Prime Broker for itself and as agent for certain other members of the Morgan Stanley group of companies (the "Morgan Stanley Companies"). These services may include the provision to the Master Fund of margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. The Master Fund may also utilize the Prime Broker, other Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Master Fund.

The Prime Broker also provides a custody service for the Master Fund's investments, including documents of title or certificates evidencing title to investments, held on the books of the Prime Broker as part of its prime brokerage function in accordance with the terms of the Prime Broker Agreement and the rules of the U.K.'s Financial Services Authority (the "FSA") by which it is regulated in the conduct of its investment business. The Prime Broker may appoint sub-custodians, including the Morgan Stanley Companies, of such investments.

In accordance with FSA rules, the Prime Broker identifies, records and holds the Master Fund's investments held by it as custodian in such a manner that the identity and location of the investments can be identified at any time, and that such investments are readily identifiable as belonging to a customer of the Prime Broker and are separately identifiable from the Prime Broker's own investments. Investments which constitute collateral for the purposes of the FSA rules, as described below, may not be segregated from the Prime Broker's own investments and may be available to creditors of the Prime Broker or the Morgan Stanley Companies. Furthermore, in the event that any of the Master Fund's investments are registered in the name of the Prime Broker where, due to the nature of the law or market practice of jurisdictions outside the U.K., it is in the Master Fund's best interests so to do or it is not feasible to do otherwise, such investments will not be segregated from the Prime Broker's own investments and in the event of the Prime Broker's default may not be as well protected.

Any cash which the Prime Broker holds or receives on the Master Fund's behalf is not treated by the Prime Broker as client money and is not subject to the client money protections conferred by the FSA's Client Money Rules. As a consequence, the Master Fund's cash is not segregated from the Prime Broker's own cash and may be used by the Prime Broker in the course of its investment business, and the Master Fund will therefore rank as one of the Prime Broker's general creditors in relation thereto.

As security for the payment and discharge of all liabilities of the Master Fund to the Prime Broker and the Morgan Stanley Companies, the investments and cash held by the Prime Broker and each such Morgan Stanley Company are charged by the Master Fund in their favor and therefore constitute collateral for the purposes of the FSA rules. Investments and cash may also be deposited by the Master Fund with the Prime Broker and other Morgan Stanley Companies as margin, and will also constitute collateral for the purposes of the FSA rules.

CDO Financing Agreements

Morgan Stanley Forward Sale Agreement

The Master Fund has entered into a Forward Sale Agreement with Morgan Stanley providing $150 million of financing for potential CDO transactions and other investments. Pursuant to the Forward Sale Agreement, Morgan Stanley may from time to time purchase investments selected by the Master Fund, subject to the Master Fund's forward purchase obligation. The Master Fund is required to contribute 30% of the purchase price of any such investment (15% if the relevant CDO transaction is structured by Morgan Stanley). The Forward Purchase Agreement will terminate on the earlier of June 30, 2007 (subject to a three-month extension at the option of the Master Fund) or the Closing Date, at which time the Master Fund must pay any outstanding financed amounts including interest thereon. Upon such payment, the financed investments will be transferred to the Master Fund, along with any interest, distributions or other payments received by Morgan Stanley with respect to the investments. Morgan Stanley will have a right to liquidate the investment portfolio in the event the Master Fund does not pay the amounts owed on the termination date.

Deutsche Bank CLO Equity Repurchase Agreement

The Master Fund has arrangements in place with Deutsche Bank providing $150 million of financing for potential CLO equity investments. Pursuant to the agreement, Deutsche Bank may from time to time purchase CLO equity investments selected by the Master Fund, subject to the Master Fund's repurchase obligation. The Master Fund is required to contribute 30% of the purchase price of any such investment (15% if the relevant CLO transaction is structured by Deutsche Bank). The agreement will terminate on June 30, 2007 or such earlier date as the Master Fund repays the financed amounts outstanding plus accrued interest thereon. On the termination date, the Master Fund must repurchase the investments by repaying the financed amounts outstanding plus accrued interest thereon, using either proceeds of the global offering or proceeds obtained by increasing leverage.

Dilution

Dilution Attributable to Net Proceeds from the Global Offering

The Company estimates that NAV per share of the Issuer immediately prior to the closing of the global offering will be $10, based on the Company's projected NAV at the Effective Time and giving effect to the Share Conversion Transactions to take place on the Closing Date (calculated using the estimated NAV at the Effective Time and the estimated Conversion Ratios set forth on page 175). For investors in the Shares, dilution is the difference per Share between the NAV per share of $10 immediately prior to the closing of the global offering (in the case of existing investors, giving effect to the Share Conversion Transactions) or the Offer Price of $10 per Share in this global offering (in the case of new investors), and the adjusted NAV per Share immediately after the completion of this global offering.

After giving effect to the net proceeds from the sale of 30,000,000 Shares offered by this prospectus at an Offer Price of $10 per Share, our adjusted NAV immediately following the closing of the global offering will be approximately $1,031.1 million or $9.86 per Share (assuming a total number of Shares based on estimated NAV at the Effective Time and the estimated Conversion Ratios set forth on page 175, and fees and cash expenses related to the global offering of $15.0 million (representing the Issuer's allocable portion of the estimated $18.0 million of fees and cash expenses to be paid by the Master Fund)). This

represents an immediate dilution of $0.14 per Share to existing investors and new investors purchasing the Shares in the global offering. The following table illustrates this per Share dilution:

	Per Share
Offer Price per Share	$ 10.00
Estimated NAV per Existing Share immediately prior to the closing of the global offering[(1)]	$ 10.00
Decrease in NAV per Share attributable to the global offering	0.14
NAV per Share immediately following the closing of the global offering	$ 9.86
Dilution per Share to investors	$ 0.14

(1) Adjusted to give effect to the Share Conversion Transactions (calculated using the estimated NAV at the Effective Time and the estimated Conversion Ratios set forth on page 175).

The table and calculations described above assume no exercise by the underwriters of their Over-allotment Option. If outstanding stock options are exercised when the market price is above the exercise price, there will be a further dilution to new investors.

Dilution Attributable to NAV Gross-Up

The holders of Existing Shares outstanding on the Closing Date will receive new Shares, based upon a Conversion Ratio that is equal to estimated NAV per share immediately prior to the closing of the global offering divided by 10. If actual NAV per share for any class of Existing Shares is greater than the estimated NAV per share of such class, the existing investors of such class will receive a cash payment from the Master Fund equal to the difference between the actual NAV of such Existing Shares and the estimated NAV of such Existing Shares.

If actual NAV per share for a class is equal to or less than the estimated NAV per share of such class, however, no adjustments or cash payments will be made to or by the existing investors of such class. In this event, NAV per Share will be lower than the NAV per Share that would have resulted if existing investors received Shares based upon actual NAV per share. The following table illustrates this per Share dilution, assuming (i) a sale of 30,000,000 Shares in the global offering at an Offer Price of $10 per Share and fees and cash expenses related to the global offering of $15.0 million (representing the Issuer's allocable portion of the estimated $18.0 million of fees and cash expenses to be paid by the Master Fund)), (ii) the Conversion Ratio is calculated using an estimated Effective Time NAV of $746.1 million, resulting in 74,609,457 Shares being issued to existing investors in the Share Conversion Transactions and (iii) actual income allocated to the Issuer is 10% ($2 million) lower than estimated income for the period from March 1, 2007 to the Closing Date, resulting in an actual Effective Time NAV of $744.1 million, $2.0 million lower than the estimated NAV used to calculate the Conversion Ratio.

	Per Share
Offer Price per Share	$ 10.00
NAV per Share immediately following closing of the global offering if Conversion Ratio had been calculated using actual NAV	9.86
Dilution per Share to new investors if Conversion Ratio had been calculated using actual NAV	$ 0.14
NAV per Share immediately following closing of the global offering if Conversion Ratio calculated using estimated NAV	$ 9.84
Dilution per Share to new investors if Conversion Ratio calculated using estimated NAV	$ 0.16

Documents Available for Inspection

Copies of the Issuer's Articles of Association and amendments thereto, the Master Fund's memorandum and articles of association and amendments thereto, the Principal Management Agreement and amendments thereto, the Investment Management Agreement and amendments thereto, the Services Agreement and amendments thereto, the purchase/placement agreement for the global offering and, when published, the Company's most recent annual and semi-annual financial statements and any reports to the

Shareholders will be made available, free of charge, by the Issuer and the Master Fund. Written requests for such documents should be directed to the Master Fund at Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 8BG or the Administrator at P.O. Box 44, St. Peter Port, Guernsey, Channel Islands GY1 3BG.

Employees

Neither the Issuer nor the Master Fund currently employs any of the individuals who carry out the day-to-day management and operations of the Company. The investment and other personnel that carry out investment and other activities are members of the Services Providers and their services are provided to the Issuer and the Master Fund or for their benefit under the Services Agreement between the Investment Manager and the Services Providers.

Governmental, Legal and Arbitration Proceedings

None of the Issuer, the Master Fund, the Investment Manager or the Services Providers nor any of their subsidiaries, during the past year or in the recent past, have been subject to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer, the Master Fund, the Investment Manager or the Services Providers or any of their subsidiaries are aware) which may have, or have had in the recent past, significant effects on such entity's financial position or profitability.

Working Capital

The Issuer is of the opinion that it has sufficient working capital for its present requirements and for a period of at least twelve months following the date hereof.

Fiscal Year

The accounting date of the Issuer and the Master Fund is December 31 in each year or such date as the Investment Manager may determine from time to time having given due notice to all Shareholders of the Issuer and the Master Fund. The accounts of the Issuer and the Master Fund will be prepared in accordance with U.S. GAAP.

Share Repurchases

The Issuer may engage in Share repurchases in the market from time to time. Such purchases may provide support to the trading price of the Shares, including in the event that Share trading prices are below the current NAV. Such purchases would also generally add to the liquidity of the trading market for the Shares. There can be no assurance as to whether the Issuer will engage in any such repurchases or if it does, the timing or amount thereof.

Shares may be repurchased through a subsidiary of the Company incorporated for that purpose which, subject to solvency, is permissible under Guernsey law. In addition, the Issuer may apply to the Royal Court of Guernsey to reduce the amount standing to the credit of the share premium amount of the Issuer so as to create a distributable reserve out of which any tender offers or share buy-backs may be funded.

Valuation, Dividends and Reports of Master Fund

Assets of the Master Fund will be valued at 4:15 p.m. (New York time) on each Valuation Day in accordance with the valuation principles set forth in "Part I—The Company's Business—Valuation". "Valuation Day" shall be the last Business Day of each fiscal quarter, or such other day determined by the Directors.

Subject to having sufficient profits available, the Master Fund is currently targeting to pay dividends in quarterly installments commencing with the quarter ending June 30, 2007. The Master Fund is not obligated to pay dividends and its board of directors, upon the recommendation of the Investment Manager, and with the prior approval of the Voting Shares, will consider all relevant factors in determining whether any dividend is paid.

In compliance with Guernsey law, the Master Fund will publish its annual report within six months of its accounting date and distribute the report to its shareholders. The most recent NAV for the Master Fund may be obtained by its shareholders from the Investment Manager.

Winding Up of the Master Fund

The Master Fund shall only be wound up upon the adoption of a resolution of its voting shares. On a winding-up, Master Fund shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Master Fund on a *pari passu* basis.

Regulation of the Investment Manager

The Investment Manager is not registered as an investment adviser under the U.S. Investment Advisers Act of 1940.

Change in the Issuer's or the Master Fund's Financial or Trading Position

Other than the subscriptions net of redemptions of $149 million as described in "Part IV—Operating and Financial Review and Prospects—Net Assets Under Management of Master Fund", there has been no significant change in the financial or trading position of the Issuer or the Master Fund since December 31, 2006.

Phone Numbers

Issuer: +44 20 7901 8326
Investment Manager: +44 20 7901 8326
Master Fund: +44 20 7901 8326

Business Address of Directors and Founders

The business address of each of the Directors and founders will be the registered office of the Issuer.

Address of Listing Agents

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London, E14 4QA
United Kingdom

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London, EC2N 2DB
United Kingdom

Auditors

KPMG Channel Islands Limited registered with the Institute of Chartered Accountants in England and Wales, has been the only auditor of the Issuer and the Master Fund since incorporation.

Other Information about the Prime Broker

The Prime Broker's registered address is:

Morgan Stanley & Co. International Limited
25 Cabot Square
London E14 4QA
United Kingdom

The Prime Broker's phone number is +44 207 425 8000.

The Prime Broker was incorporated in England on October 28, 1986 as a limited company. The ultimate holding company of the Prime Broker is Morgan Stanley, which is incorporated in Delaware. The Prime Broker will be paid fees at such rates, being commercial rates, as the Master Fund and the Prime Broker agree from time to time. The Prime Broker has financial resources in excess of $200 million.

DEFINITIONS AND GLOSSARY

ABS	Asset-backed securities
AI	Accredited investor, as defined by Rule 501 of Regulation D under the Securities Act
Administration Agreement	The Administration Agreement to be entered into on the Closing Date of the global offering among the Issuer, the U.S. Feeder Fund, the Master Fund and the Administrator
Administrator	Kleinwort Benson (Channel Islands) Fund Services Limited
Admission	Admission to listing of all of the Shares on Eurolist by Euronext Amsterdam on an unconditional basis
AFM	*The Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten)*
AICPA	The American Institute of Certified Public Accountants
Articles of Association	The memorandum and articles of association of the Issuer, as in effect as of the Closing Date and from time to time
Board of Directors	The Issuer's board of directors
Business Day	Any day on which banks are open for normal banking business in Guernsey, London, Amsterdam and New York
CDO	Collateralized debt obligation
CDS	Credit default swap
CDS Counterparty	The protection buyer who enters the CDS contractual relationship with the Securitization Vehicle
CFTC	The U.S. Commodities Futures Trading Commission
CLO	Collateralized loan obligation
Closing Date	Closing date of the global offering
CMBS	Commercial mortgage-backed securities
COBO	The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989
Collateralized Securities	Tranched securities issued by a SPV of a CDO representing claims to different streams of income generated by the underlying assets
Companies Law	The Companies (Guernsey) Law, 1994, as amended
Company	The Issuer together with the Master Fund
Converted Shareholders	U.S. persons who acquire Shares in the Share Conversion Transactions or in an Exchange
CPO	Commodity pool operator
Deutsche Bank	Deutsche Bank AG
Director	A member of the Board of Directors
EEA State	A state within the European Economic Area
ERISA	U.S. Employee Retirement Income Security Act of 1974, as amended
ERISA Plan	Plan subject to Part 4 of Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code
Euroclear Nederland	*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*
Euroclear System	The settlement system operated by Euroclear Nederland

Eurolist by Euronext Amsterdam	The regulated market of Euronext Amsterdam N.V.'s Eurolist by Euronext
Exchange	The exchange of U.S. Feeder Fund limited partnership interests for Shares as described under "Part XII—Additional Information—Capital Structure of the Issuer—Modification of Existing Shares and Exchange Provisions Relating to the U.S. Feeder Fund Interests"
Exchange Act	The U.S. Securities Exchange Act of 1934, as amended
Existing Interests	Existing limited partnership interests in the U.S. Feeder Fund
Existing Shares	All existing participating shares of the Issuer
FASB	The Financial Accounting Standards Board
FMSA	The Financial Markets Supervision Act (*Wet op het financieel toezicht*)
FSA	The U.K.'s Financial Services Authority
IASB	The International Accounting Standards Board
IFRS	International Financial Reporting Standards
Independent Directors	Members of the Board of Directors who are determined by the Directors to satisfy in all material respects the standards for an "independent" director set forth in the U.K. Combined Code
Investment Company Act	The U.S. Investment Company Act of 1940, as amended
Investment Management Agreement	The investment management agreement to be entered into on the Closing Date among the Issuer, the Master Fund, the U.S. Feeder Fund and the Investment Manager
Investment Manager	Polygon Credit Management LP
Issuer	Tetragon Financial Group Limited
Joint Bookrunners	Morgan Stanley and Deutsche Bank, in their capacity as initial purchasers of Shares
Listing Agents	Morgan Stanley & Co., International Limited and Deutsche Bank AG, London Branch, acting jointly
Listing Date	The date on which trading of the Shares will commence on an "as-if-and-when-issued-or-delivered" basis
Listing Rules	The listing rules set forth by Euronext, including but not limited to the Euronext Rule Book-Book I: Harmonised Market Rules, and Book II: General Rules for the Euronext Amsterdam Stock Market, both as amended
LP Conversion Transactions	The denomination of Existing Interests into limited partnership interests of a single class as described under "Part XII—Additional Information—Capital Structure of the Issuer—Modification of Existing Shares and Exchange Provisions Relating to U.S. Feeder Fund Interests."
Master Fund	Tetragon Financial Group Master Fund Limited
Morgan Stanley	Morgan Stanley & Co. International Limited
NAV	Has the meaning specified under "Part IV—Operating and Financial Review and Prospects—Comparison of Results of Operations of the Year Ended 2006 to Period from June 23, 2005 to December 31, 2005—Organizational Costs."

NAV per Share	NAV divided by the number of Shares in issue or deemed to be in issue
Offer Price	The Offer Price of the Shares in the global offering
Over-allotment Option	An option exercisable within 30 calendar days after the Listing Date, pursuant to which the Joint Bookrunners may require the Voting Shareholder to sell at the Offer Price less the Joint Bookrunners' commission, up to an additional 15% of the total number of Shares initially sold in the global offering to cover over-allotments, if any
Plan	As defined under "Part VIII—Investment Restrictions, Transfer Restrictions and Certain ERISA Considerations—Certain ERISA Considerations"
Plan Asset Regulations	U.S. Department of Labor regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)
Polygon	Polygon Investment Partners LLP, together with its affiliated management companies, other than the Investment Manager
Polygon Directors	Polygon-affiliated Directors
Polygon U.K.	Polygon Investment Partners LLP, a company organized under the laws of England and Wales
Polygon U.S.	Polygon Investment Partners LP, a Delaware limited partnership
Prime Broker	Morgan Stanley & Co. International Limited
Prime Brokerage Agreement	The International Prime Brokerage Agreement entered into between the Master Fund and the Prime Broker for itself and as agent for the Morgan Stanley Companies
Principals	Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith, Alexander Jackson and Paddy Dear, the principals of the Investment Manager
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of the European Union and any relevant implementing measure in each Relevant Member State
QIB, or Qualified Institutional Buyer	A qualified institutional buyer as defined in Rule 144A under the Securities Act
QP, or Qualified Purchaser	A qualified purchaser within the meaning of Section 2(a)(51) and related rules of the Investment Company Act
Rated Tranches	Tranches of CDOs with the most senior priority
Reference Entity	Entity whose payment obligations are the subject of a swap agreement or security
Reference Obligation	The obligation of a Reference Entity under a swap agreement
Regulation D	Rule 501 of Regulation D under the Securities Act
Regulation S	Regulation S under the Securities Act
Related Parties	The Investment Manager, its affiliates, including Polygon and their respective clients, as well as their respective directors, officers, employees and agents
Relevant Member State	Each member state of the European Economic Area which has implemented the Prospectus Directive or where the Prospectus Directive is applied by the regulator

Residual Tranches	The subordinated, residual tranches of CDO products
Rule 144A	Rule 144A under the Securities Act
RMBSs	Residential mortgage-backed securities
Securities Act	U.S. Securities Act of 1933, as amended
Securitization Portfolio	Portfolios of underlying assets managed by asset managers
Securitization Vehicle	CDO products and other securitization vehicles in which the Company invests
Services	The operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services the Services Providers are responsible to provide to the Investment Manager under the Services Agreement
Services Agreement	The services agreement between the Investment Manager and the Services Providers, dated as of July 1, 2005 and amended and restated effective as of the Closing Date, as amended from time to time
Services Providers	Polygon U.K. and Polygon U.S.
Services Providers Indemnified Party	The Services Providers, their affiliates or their respective members, managers, partners, shareholders, directors, officers and employees
Shareholders	The holders of Shares
Shares	The non-voting shares of $0.001 per share of the Issuer. This term does not apply to the Voting Shares or the former Founder Shares, class A shares, class B shares, class C shares and nominal shares of the Issuer
Share Conversion Transactions	The conversions of the Class A Shares, Class B Shares and Class C Shares of the Issuer into Shares as described under "Part XII—Additional Information—Capital Structure of the Issuer—Modification of Existing Shares and Exchange Provisions Relating to the U.S. Feeder Fund Interests"
Similar Laws	Laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of U.S. Internal Revenue Code
Stabilization Agent	Deutsche Bank AG, London Branch
SPV	Special purpose vehicle
Sub-Administrator	Investors Fund Services (Ireland) Limited
U.K. Combined Code	The United Kingdom's Financial Reporting Council's Combined Code of Corporate Governance, as from time to time in effect
U.S. Feeder Fund	Tetragon Financial Group LP
U.S. GAAP	U.S. Generally Accepted Accounting Principles
U.S. Internal Revenue Code	The U.S. Internal Revenue Code of 1986, as amended
VIE	Variable interest equity
Voting Shareholder	Polygon Credit Holdings II Limited
Voting Shares	The voting shares of the Issuer par value $0.001 that are entitled to vote

APPENDIX A

FORM OF
PURCHASER LETTER
FOR
QUALIFIED INSTITUTIONAL BUYERS

Tetragon Financial Group Limited
c/o Polygon Credit Management LP
598 Madison Avenue, 14th Floor
New York, NY 10022
United States of America

The Bank of New York
One Wall Street
New York, NY 10286
United States of America

Deutsche Bank AG
Morgan Stanley & Co. International Limited

Ladies and Gentlemen:

In connection with the proposed purchase by the investor named below or the accounts listed on the attachment hereto (each an "*Investor*") of the non-voting certificated shares (the *"Shares"*) of Tetragon Financial Group Limited, a Guernsey closed-ended investment company (the "*Issuer*"), from one or more of the initial purchasers named in Schedule I hereto or their U.S. affiliates (the "*Initial Purchasers*") pursuant to Rule 144A ("*Rule 144A*") under the U.S. Securities Act of 1933 (the "*Securities Act*"), the undersigned agrees and acknowledges, on its own behalf or on behalf of each account for which it is acquiring any Shares, and makes the representations and warranties, on its own behalf or on behalf of each account for which it is acquiring any Shares, as set forth in Sections 1 through 21 of this letter (this "*Purchaser Letter*"):

PLEASE COMPLETE THE FOLLOWING AND SIGN BELOW OR, IF YOU ARE ACTING FOR MORE THAN ONE INVESTOR, COMPLETE THE FORM ATTACHED HERETO AS EXHIBIT A FOR EACH OF THOSE INVESTORS, AND SIGN BELOW:

Name of the Investor (use exact name in which Shares are to be Registered): _____

Address of Investor for Registration of Shares: _____

_____

_____

The Investor's Tax Identification Number: _____

Number of Shares Requested:* _____

* The Investor agrees that the Initial Purchasers may allocate to it a smaller number of Shares.

The Investor has provided a completed and signed Substitute IRS Form W-9 as set forth in Section 20 of this letter and has caused this Purchaser Letter to be executed by its duly authorized representative as of the date indicated below.

Date: _____ Signature: _____

Print Name: _____

Company Name: _____

Title: _____

Qualified Institutional Buyer and Qualified Purchaser Status

1. The Investor certifies to each of the following: (i) it is a "qualified institutional buyer" (a "*QIB*") as defined in Rule 144A, (ii) it is purchasing the Shares from one or more of the Initial Purchasers of their U.S. affiliates only for its own account or for the account of another entity that is a QIB, (iii) it is not a broker-dealer which owns and invests on a discretionary basis less than $25 million in securities of unaffiliated issuers and (iv) it is not a participant-directed employee plan, such as a plan described in subsections (a)(l)(i)(D), (E) or (F) of Rule 144A.

2. The Investor certifies that it is a "qualified purchaser" (a "*Qualified Purchaser*") within the meaning of Section 2(a)(51) and related rules of the U.S. Investment Company Act of 1940 (the "*Investment Company Act*").

3. The Investor understands that, subject to certain exceptions, to be a Qualified Purchaser, it must have $25 million in "investments" as defined in Rule 2a51-l of the Investment Company Act.

Transfer Restrictions

4. The Investor understands and agrees that the Shares are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the Shares have not been and will not be registered under the Securities Act, that the Issuer has not been and will not be registered as an investment company under the Investment Company Act and that the Shares are subject to the transfer restrictions (the "*Transfer Restrictions*") set forth in the prospectus (defined below) and in the Transferee Letter (defined below). The Investor agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer the Shares, such Shares will be offered, resold, pledged or otherwise transferred only in compliance with the Transfer Restrictions.

   The Transfer Restrictions are subject to any requirement of law that the disposition of the Investor's property or the property of such investor account or accounts on behalf of which the Investor holds the Shares be at all times within the control of the Investor or of such accounts and subject to compliance with any applicable state securities laws. The Investor understands that any certificates representing Shares acquired by it will bear a legend reflecting, among other things, the Transfer Restrictions.

5. The Investor agrees that, prior to any transfer of the Shares or any interest therein (other than in the case of an offshore transfer to a person not known to the Investor to be a U.S. person in accordance with Regulation S under the Securities Act—a "*Regulation S Transfer*"), the transferee must sign and deliver a letter to The Bank of New York, as transfer agent (the "*Transfer Agent*") substantially in the form of the Transferee Letter attached as Annex I hereto (or in a form otherwise acceptable to the Issuer) (a "*Transferee Letter*"). In the case of a Regulation S Transfer, the Investor must sign and deliver to the Transfer Agent a surrender letter substantially in the form of the Surrender Letter attached as Annex II hereto (or in a form otherwise acceptable to the Issuer) (a "*Surrender Letter*").

Investment Company Act

6. The Investor understands and acknowledges that the Issuer has not registered, and does not intend to register, as an "investment company" (as such term is defined in the Investment Company Act and related rules) and that the Issuer has elected to impose the transfer and offering restrictions with respect to persons in the United States and U.S. persons described herein so that the Issuer will qualify for the exemption provided under Sections 3(c)(7) and 7(d) of the Investment Company Act and will have no obligation to register as an investment company even if it were otherwise determined to be an investment company.

7. The Investor understands and acknowledges that (i) the Issuer will not be required to accept for registration of transfer any certificate representing Shares that are being acquired by a U.S. person who is not a Qualified Purchaser, (ii) the Issuer may require any person who is required under this Purchaser Letter to be a Qualified Purchaser, but is not, to transfer the Shares immediately in a manner consistent with the restrictions set forth in this Purchaser Letter, (iii) pending such transfer, the Issuer is authorized to suspend the exercise of the meeting and consent rights relating to the relevant Shares and the right to receive distributions in respect of the relevant Shares and (iv) if the obligation to transfer is not met, the Issuer is irrevocably authorized, without any obligation, to transfer the Shares represented by such certificate, in a manner consistent with the restrictions set

forth in this Purchaser Letter and, if such Shares are sold, the Issuer shall be obliged to distribute the net proceeds to the entitled party.

ERISA

8. The Investor represents and warrants that no portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the Shares or beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*")) that is subject to Part 4 of Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*U.S. Internal Revenue Code*") or any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) to cause the underlying assets of the Issuer to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Issuer and thereby subject the Issuer (or other persons responsible for the investment and operation of the Issuer's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code), or (iii) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each of (i), (ii) and (iii), a "*Plan*").

9. The Investor understands and acknowledges that (i) transfers of the Shares or any interest therein to a person using assets of a Plan to purchase or hold such securities or any interest therein will be void and have no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Issuer or their respective agents and (ii) if such transfer is not treated as being void for any reason, the Shares represented thereby will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such securities.

The Offering

10. The Investor has received a copy of the prospectus relating to the offering of the Shares described therein (the "*prospectus*"). The Investor understands and agrees that the prospectus speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.

11. The Investor is not purchasing the Shares with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act) that would be in violation of the securities laws of the United States or any state thereof.

12. The party signing this Purchaser Letter is acquiring the Shares for its own account or for the account of one or more Investors as to which the party signing this Purchaser Letter is authorized to make the acknowledgments, representations and warranties, and enter into the agreements, contained in this Purchaser Letter. The party signing this Purchaser Letter has indicated on the first page hereof whether it is acquiring the Shares for its own account, as Investor, or for the account of one or more Investors.

13. The Investor became aware of the offering of the Shares by the Issuer and the Shares were offered to the Investor (i) solely by means of the prospectus, (ii) by direct contact between the Investor and the Issuer or (iii) by direct contact between the Investor and one or more Initial Purchasers. The Investor did not become aware of, nor were the Shares offered to the Investor by any other means, including, in each case, by any form of general solicitation or general advertising. In making the decision to purchase the Shares, the Investor relied solely on the information set forth in the prospectus and other information obtained by the Investor directly from the Issuer or from one or more Initial Purchasers as a result of any inquiries by the Investor or one or more of the Investor's advisors.

General

14. The Investor understands that there is no established market for the Shares in certificated form and that it is unlikely that such a public market will develop.

15. The Investor acknowledges that the Initial Purchasers have acted as agents for the Issuer in connection with the sale. The Investor consents to the actions of each of such Initial Purchasers in this regard and hereby waives any and all claims, actions, liabilities, damages or demands it may have against any of such Initial Purchasers in connection with any alleged conflict of interest arising from the engagement of each of the Initial Purchasers as an agent of the Issuer with respect to the sale by the Initial Purchaser of the Shares to the Investor.

16. The Investor acknowledges that each of the Initial Purchasers, the Issuer and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in this Purchaser Letter as a basis for exemption of the sale of the Shares under the Securities Act and under the securities laws of all applicable states, for compliance with the Investment Company Act and ERISA and for other purposes. The party signing this Purchaser Letter agrees to promptly notify the Issuer if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.

17. It understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Shares.

18. It agrees to provide, together with a completed and signed Purchaser Letter, a completed and signed Substitute IRS Form W-9. The Substitute IRS Form W-9 is attached to the form of Purchaser Letter.

19. It has received, carefully read and understands this prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this prospectus or any other presentation or offering materials concerning the Shares to any persons within the United States or to any U.S. persons, nor will it do any of the foregoing. It understands that this prospectus is subject to the requirements of the Prospectus Directive and Euronext Amsterdam and the information herein, including any financial information, may be materially different from any disclosure that would be provided in a registered U.S. offering.

20. It understands and acknowledges that none of the Issuer, the Master Fund or any of the Joint Bookrunners nor any of their respective affiliates, makes any representation as to the availability of any exemption under the Securities Act for the re-offer, re-sale, pledge or transfer of the Shares. It understands that the Shares to be purchased by it are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act.

21. In making the investment decision with respect to the Shares, it has:

    (a) not relied on the Issuer, the Master Fund or the Joint Bookrunners or any of their respective affiliates (except to the extent of the information in this prospectus); and

    (b) had access to such financial and other information concerning the Issuer and the Shares as it deems necessary in connection with its decision to purchase the Shares.

22. It has investigated the potential U.S. tax consequences, including any federal, state and local consequences, affecting it in connection with its purchase and any subsequent disposal of the Shares.

23. The Investment Manager has filed a notice of exemption from registration requirements as a CPO with respect to the Issuer pursuant to CFTC Rule §4.13(a)(4). Consequently, the Investment Manager is not required to provide Shareholders with a disclosure document or certified annual report meeting the requirements of the CFTC rules otherwise applicable to registered CPOs. This prospectus has not been, and is not required to be, filed with the CFTC, and the CFTC has not reviewed or approved this prospectus and the offering of Shares.

24. Each of the Initial Purchasers, the Issuer, the Registrar and their respective affiliates are irrevocably authorized to produce this Purchaser Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

25. **This Purchaser Letter shall be governed by and construed in accordance with the laws of the State of New York.**

26. The Investor understands and acknowledges that no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Shares.

27. The Investor agrees to provide, together with this completed and signed Purchaser Letter, a completed and signed Substitute IRS Form W-9. The Substitute IRS Form W-9 is attached to this letter as Exhibit B.

28. A facsimile copy, or "pdf" copy, of the signature on this Purchaser Letter, delivered to the addressees hereof, shall have the same binding effect as a manual signature hereof so delivered.

EXHIBIT A
to Purchaser Letter

Registered Holder Information

	Name of the Investor (use exact name of which Shares are to be Registered)	Address of Investor for Registration of Shares	Tax Identification Number
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
Total Number of Shares Requested: _____*			

* The Investor agrees that the Initial Purchasers may allocate to it a smaller number of Shares.

EXHIBIT B
to Purchaser Letter

Substitute Form W-9

PAYOR'S NAME: Tetragon Financial Group Limited		
PAYEE'S NAME: _____ **PAYEE'S ADDRESS:** _____		
SUBSTITUTE **FORM W-9** **Department of the Treasury** **Internal Revenue Service** **Payer's Request for Taxpayer Identification Number (TIN) and Certification**	**Part I: Taxpayer Identification Number (TIN)** Social Security Number OR Employer Identification Number (If awaiting TIN write "Applied For" and complete Part III and the Certificate of Awaiting Taxpayer Identification Number)	**Part II: For Payees Exempt from Backup Withholding** For Payees Exempt from Backup withholding, see the Guidelines below and complete as instructed therein.
	Part III:—Certification— Under penalties of perjury, I certify that: (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and (2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and (3) I am a U.S. person (including a U.S. resident alien).	
	Certification Instructions—You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2).	
	Signature of U.S. person _____	**Date** _____

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL INFORMATION.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" IN THE APPROPRIATE LINE IN PART I OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 28% of all reportable payments made to me pursuant to the tender offer will be withheld.

_____ _____
Signature Date

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payer.—Social security numbers have nine digits separated by two hyphens: *i.e.*, 000-00-0000. Employee identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer. All "Section" references are to the Internal Revenue Code of 1986, as amended. "IRS" is the Internal Revenue Service.

For this type of account:	Give the SOCIAL SECURITY number of—
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account.(1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
5. Sole proprietorship	The owner(3)
For this type of account:	Give the EMPLOYER IDENTIFICATION number of—
6. Sole proprietorship	The owner(3)
7. A valid trust, estate, or pension trust	The legal entity(4)
8. Corporate	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Fund	The Fund
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's social security number.

(3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number (if you have one).

(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE: *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, at the local Social Security Administration office, or Form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM, and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from withholding include:

- An organization exempt from tax under Section 501(a), an individual retirement account (IRA), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- The United States or a state thereof, the District of Columbia, a possession of the United States, or a political subdivision or instrumentality of any one or more of the foregoing.
- An international organization or any agency or instrumentality thereof.
- A foreign government and any political subdivision, agency or instrumentality thereof.

Payees that may be exempt from backup withholding include:

- A corporation.
- A financial institution.
- A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A middleman known in the investment community as a nominee or custodian.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A foreign central bank of issue.
- A trust exempt from tax under Section 664 or described in Section 4947.

Payments of dividends and patronage dividends generally exempt from backup withholding include:

- Payments to nonresident aliens subject to withholding under Section 1441.
- Payments to Funds not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

Payments of interest generally exempt from backup withholding include:

- Payments of interest on obligations issued by individuals. However, if you pay $600 or more of interest in the course of your trade or business to a payee, you must report the payment. Backup withholding applies to the reportable payment if you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under Section 1451.

- Payments made by certain foreign organizations.
- Mortgage or student loan interest paid to you.

Certain payments, other than payments of interest, dividends, and patronage dividends, that are exempt from information reporting are also exempt from backup withholding. For details, see the regulations under Sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N.

Exempt payees described above must file Form W-9 or a substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART II OF THE FORM, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER.

Privacy Act Notice—Section 6109 requires you to provide your correct taxpayer identification number to payers, who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 28% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to the payer. Certain penalties may also apply.

Penalties

(1) **Failure to Furnish Taxpayer Identification Number.**—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to wilful neglect.

(2) **Civil Penalty for False Information With Respect to Withholding.**—If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

(3) **Criminal Penalty for Falsifying Information.**—Wilfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

SCHEDULE I
to Purchaser Letter

Initial Purchasers

1. Deutsche Bank AG
2. Morgan Stanley & Co. International Limited

APPENDIX B
and
ANNEX I
to Purchase Letter

FORM OF
TRANSFEREE LETTER

Tetragon Financial Group Limited
c/o Polygon Credit Management LP
598 Madison Avenue, 14th Floor
New York, NY 10022
United States of America

The Bank of New York
One Wall Street
New York, NY 10286
United States of America

Ladies and Gentlemen:

In connection with the proposed acquisition by the undersigned, or by the undersigned's customer identified on the signature page of this letter, of non-voting certificated shares (the "*Shares*") of Tetragon Financial Group Limited, a Guernsey closed-ended investment company (the "*Issuer*"), the undersigned agrees and acknowledges, on its own behalf or on behalf of each account for which it acquires any Shares, and makes the representations and warranties, on its own behalf or on behalf of each account for which it acquires any such Shares, as set forth in this letter (this "*Transferee Letter*"):

1. The undersigned (or its customer) understands and agrees that the Shares represented by the certificates it is acquiring have not been and will not be registered under the U.S. Securities Act of 1933 (the "*Securities Act*") and accordingly hereby certifies to one of the following (check a box):

   ☐ it (or its customer) is a "qualified institutional buyer" (a "*QIB*") as defined in Rule 144A ("*Rule 144A*") under the Securities Act or it is acquiring the Shares only for the account of another entity that is a QIB;

   ☐ it (or its customer) is not a "U.S. person" as defined in Regulation S under the Securities Act; or

   ☐ it (or its customer) is acquiring the Shares pursuant to another available exemption from the registration requirements of the Securities Act, and, if requested by the Issuer, it has attached hereto an opinion of U.S. counsel to that effect that is satisfactory to the Issuer and has provided any other information that the Issuer may require.

2. The undersigned (or its customer) understands and acknowledges that the Issuer has not registered, and does not intend to register, as an "investment company" (as such term is defined in the Investment Company Act of 1940 (the "*Investment Company Act*") and related rules) and that the Issuer has elected to impose the following transfer restrictions so that the Issuer will qualify for an exemption provided under the Investment Company Act and will have no obligation to register as an investment company even if it were otherwise determined to be an investment company.

3. The undersigned certifies that, unless it (or its customer) is not a "U.S. person", it (or its customer) is a "qualified purchaser" (a "*Qualified Purchaser*") within the meaning of Section 2(a)(51) of the Investment Company Act.

4. The undersigned (or its customer) understands that, subject to certain exceptions, to be a Qualified Purchaser, an individual must have $5 million, and other entities must have $25 million, in "investments" as defined in Rule 2a51-l of the Investment Company Act and that a QIB is a Qualified Purchaser if it is not a broker-dealer which owns and invests on a discretionary basis less than $25 million in securities of unaffiliated issuers and it is not a participant-directed employee plan, such as a plan described in subsections (a)(l)(i)(D), (E) or (F) of Rule 144A.

5. The undersigned (or its customer) understands and acknowledges that (i) the Issuer will not be required to accept for registration of transfer any certificate representing any Shares acquired by it that are being transferred to a U.S. person who is not a Qualified Purchaser, (ii) the Issuer may

require any person who is required under this Transferee Letter to be a Qualified Purchaser, but is not, to transfer the Shares immediately in a manner consistent with the restrictions set forth in this Transferee Letter, (iii) pending such transfer, the Issuer is authorized to suspend the exercise of the meeting and consent rights relating to the Shares and the right to receive distributions in respect of the Shares and (iv) if the obligation to transfer is not met, the Issuer is irrevocably authorized, without any obligation, to sell the Shares in a manner consistent with the restrictions set forth in this Transferee Letter and, if such Shares are sold, the Issuer shall be obliged to distribute the net proceeds to the entitled party.

6. The undersigned (or its customer) represents and warrants that no portion of the assets used by it to acquire, and no portion of the assets used by it to hold, an interest in the Shares or beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*")) that is subject to Part 4 of Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*U.S. Internal Revenue Code*") or any other state, local, non-U.S. or other laws or regulations that would have the same effect as regulations promulgated under ERISA by the U.S. Department of Labor and codified at 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) to cause the underlying assets of the Issuer to be treated as assets of that investing entity by virtue of its investment (or any beneficial interest) in the Issuer and thereby subject the Issuer (or other persons responsible for the investment and operation of the Issuer's assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the U.S. Internal Revenue Code), or (iii) an entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each of (i), (ii) and (iii), a "*Plan*").

7. The undersigned (or its customer) understands and acknowledges that (i) transfers of the Shares or any interest therein to a person using assets of a Plan to purchase or hold such securities or any interest therein will be void and have no force and effect and will not operate to transfer any rights to such person notwithstanding any instruction to the contrary to the Issuer, or its agents and (ii) if such transfer is not treated as being void for any reason, the Shares will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in such securities.

8. The undersigned (or its customer) agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer its Shares, such Shares will be offered, resold, pledged or otherwise transferred only (i) to a transferee that signs and delivers to the The Bank of New York, as transfer agent (the "*Transfer Agent*") a letter substantially in the form of this Transferee Letter (or in a form otherwise acceptable to the Issuer), (ii) in an offshore transaction in accordance with Regulation S under the Securities Act in which case it will sign and deliver to the Transfer Agent a letter substantially in the form of Annex I hereto, or (iii) to the Issuer.

9. The undersigned (or its customer) acknowledges that the Issuer and its affiliates and others will rely on the acknowledgments, representations and warranties contained in this Transferee Letter as a basis for exemption of the sale of the Shares under the Securities Act and under the securities laws of all applicable states, for compliance with the Investment Company Act and ERISA and for other purposes. The undersigned (or its customer) agrees to promptly notify the Issuer if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.

10. The Issuer, the transferor of the Shares and their respective affiliates are irrevocably authorized to produce this Transferee's Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

11. A facsimile copy, or a "pdf" copy, of the signature on this Transferee Letter, delivered to the addressees hereof, shall have the same binding effect as a manual signature hereof so delivered.

12. If the undersigned is a broker dealer delivering this Transferee Letter on behalf of its customer that will acquire beneficial ownership of the Shares, that customer has been advised of and understands the contents of this letter and has authorized the undersigned to make the acknowledgements, representations, warranties and covenants contained in its letter on its behalf, with the same legal effect as if the customer had signed this Transferee Letter.

[The next page is the signature page.]

The undersigned has provided a completed and signed Substitute IRS Form W-9 (if the undersigned is a U.S. person) or Substitute IRS Form W-8 (if the undersigned is not a U.S. person) and has caused this Transferee Letter to be executed by its duly authorized representative as of the date set forth below.

Date:_____

Name of Purchaser (use exact name in which the Shares are to be registered):

_____

Address of Purchaser for Registration of the Shares:

_____

_____

Name of entity signing this Transferee's Letter, if different from the Purchaser identified above:

_____

Signature:_____

Print Name:_____

Issuer Name:_____

Title:_____

If the investor is an individual, the investor's social security number:_____

If the investor is a corporation, partnership, trust or other legal entity its tax payer identification number:_____

APPENDIX C
and
ANNEX II
to Purchase Letter
and
ANNEX I
To Transferee Letter

FORM OF
SURRENDER LETTER

Tetragon Financial Group Limited
c/o Polygon Credit Management LP
598 Madison Avenue, 14th Floor
New York, NY 10022
United States of America

The Bank of New York
One Wall Street
New York, NY 10286
United States of America

Ladies and Gentlemen:

This letter (the "*Surrender Letter*") relates to the surrender by the undersigned of certificate(s) representing shares (the "*Shares*") of Tetragon Financial Group Limited, a Guernsey closed-ended investment company (the "*Issuer*"). Terms used in this Surrender Letter and not otherwise defined shall have the meaning given to them in Regulation S ("*Regulation S*") under the U.S. Securities Act of 1933 (the "*Securities Act*"), except as otherwise stated herein.

The undersigned acknowledges (or if the undersigned is acting for the account of another person has confirmed that it acknowledges) that the Shares represented by the surrendered certificate, as applicable, have not been and will not be registered under the Securities Act and that the Issuer has not registered as an investment company under the U.S. Investment Company Act of 1940 (the "*Investment Company Act*").

The undersigned hereby certifies as to at least one of the following on its own behalf (or if the undersigned is acting for the account of another person the undersigned certifies that it has received a written certification on behalf of that person to one of the following):

☐ The undersigned has sold or agreed to sell the Shares represented by the surrendered certificate(s) and all of the following are true:

1. The offer and sale of the Shares represented by the certificate(s) was not and will not be made to a person in the United States or to a person known by the undersigned to be a U.S. person.
2. Either (a) at the time the buy order for the Shares was originated, the buyer was outside the United States or the undersigned and any person acting on the undersigned's behalf reasonably believed that the buyer was outside the United States or (b) the transaction in such Shares was executed in, on or through the facilities of Euronext Amsterdam N.V.'s Eurolist by Euronext, or of another designated offshore securities market, and neither the undersigned nor any person acting on the undersigned's behalf knows that the transaction was pre-arranged with a buyer in the United States.
3. Neither the undersigned (nor its customer), nor any of its affiliates, nor any person acting on the undersigned's or their behalf has made any directed selling efforts in the United States with respect to the Shares.
4. The proposed transfer of the Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act or the Investment Company Act.
5. Neither the Issuer nor any of its agents participated in the sale of the Shares.
6. The undersigned (or its customer) agrees that the Issuer, and its agents and affiliates may rely upon the truth and accuracy of the foregoing acknowledgments, representations agreements.

or

☐ The undersigned (or its customer) is not in the United States and is not a U.S. person and is not surrendering the Shares in connection with an offer, sale or other disposition of the Shares.

If the undersigned is a broker dealer delivering this Surrender Letter on behalf of its customer, that customer has been advised of and understands the contents of this letter and has authorized the undersigned to make the acknowledgments, representations, warranties and covenants contained in its letter on its behalf, with the same legal effect as if the customer had signed this Surrender Letter.

Where there are joint transferors, each must sign this Surrender Letter. A Surrender Letter of a corporation, partnership, limited liability company or similar entity must be signed by an authorized officer or be completed otherwise in accordance with such entity's governing instruments. Evidence of such authority may be required.

Very truly yours,

Name of Surrendering Owner (use exact name in which certificate(s) are registered):

_____

Address of Surrendering Owner:

_____

_____

Name of entity signing this Surrender Letter, if different from the Owner identified above:

_____

Signature: _____

Print Name: _____

Company Name: _____

Title: _____

Date: _____

REGISTERED OFFICE OF THE ISSUER AND THE MASTER FUND

Tetragon Financial Group Limited
Tetragon Financial Group Master Fund Limited
Dorey Court
Admiral Park
St. Peter Port, Guernsey
Channel Islands GY1 3BG

INVESTMENT MANAGER OF THE ISSUER AND THE MASTER FUND

Polygon Credit Management LP
598 Madison Avenue, 14th Floor
New York, NY 10022
United States of America

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Morgan Stanley & Co. International Limited
25 Cabot Square
London E14 4QW
United Kingdom

LEGAL ADVISORS TO THE ISSUER AND THE MASTER FUND

(as to U.S. law)

Cravath, Swaine & Moore LLP
One Ropemaker Street
London EC2Y 9HR
United Kingdom

(as to Guernsey law)

Ogier
Ogier House
St. Julian's Avenue
St. Peter Port
Guernsey
Channel Islands
GY1 1WA

(as to Dutch law)

De Brauw Blackstone Westbroek N.V.
Tripolis
Burgerweeshuispad 301
1076 HR Amsterdam
The Netherlands

(as to U.S. and U.K. law)

Akin Gump Strauss Hauer & Feld
One Ropemaker Street
London EC2Y 9AW
United Kingdom

LEGAL ADVISORS TO THE JOINT BOOKRUNNERS

(as to U.S. law)

Sullivan & Cromwell LLP
1 New Fetter Lane
London EC4A 1AN
United Kingdom

(as to Dutch law)

Stibbe N.V.
Stibbetoren
Strawinskylaan 2001
1077 ZZ Amsterdam
The Netherlands

AUDITORS OF THE ISSUER AND THE MASTER FUND

KPMG Channel Islands Limited
20 New Street
St. Peter Port
Guernsey
Channel Islands
GY1 4AN

REPORTING ACCOUNTANTS OF THE ISSUER

KPMG Audit plc
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

ADMINISTRATOR AND REGISTRAR OF THE ISSUER AND THE MASTER FUND

Kleinwort Benson (Channel Islands) Fund Services Limited
P.O. Box 44
St. Peter Port
Guernsey
Channel Islands
GY1 3BG

SUB-REGISTRAR, TRANSFER AGENT AND U.S. PAYING AGENT OF THE ISSUER

The Bank of New York
One Wall Street
New York,
NY 10286
United States of America

ISSUING AGENT, DUTCH PAYING AGENT AND DUTCH TRANSFER AGENT

Kas Bank N.V.
Spuistraat 172
1012 VT Amsterdam
The Netherlands