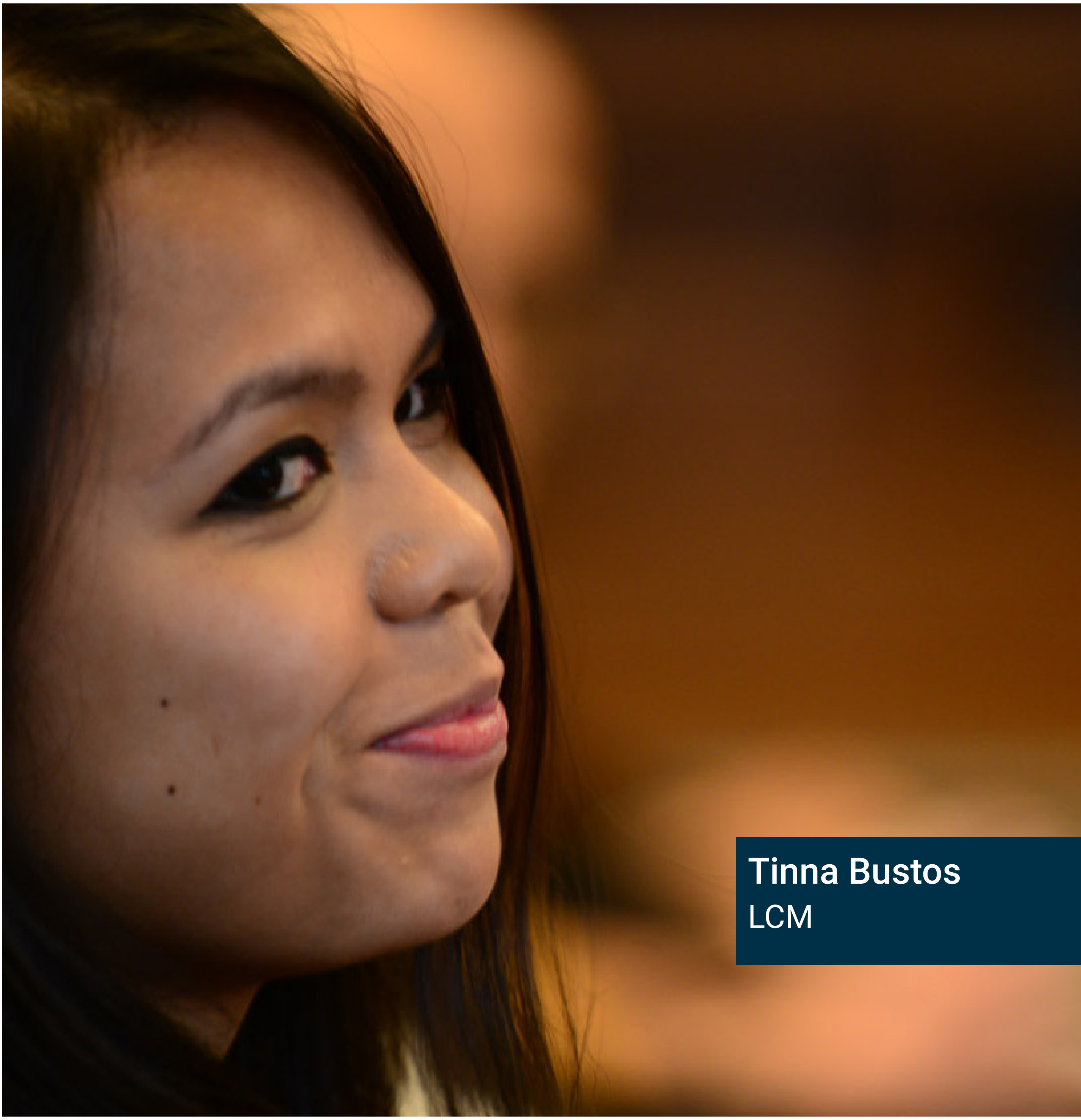
TETRAGON

2019 Annual Report

TETRAGON FINANCIAL GROUP

Contents


Tinna Bustos
LCM

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

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To view company updates visit:
www.tetragoninv.com

(1) Tetragon Financial Group Limited is referred to in this report as Tetragon. References to "we" are to Tetragon Financial Management LP, Tetragon's investment manager.

Alessandro Vittorini
Convertibles

Delivering Results Since 2005[1]

NAV per Share Total Return[2]

13.6%	11.5%	18.4%	11.4%	294%
2019 Full Year	5 Years Annualised	10 Years Annualised	Since IPO Annualised	Since IPO

Investment Returns / Return on Equity[3]

13.4%	10-15%	12.4%
2019 Return on Equity	RoE Target	Annual Average Since IPO

Dividends

$0.1875	$0.7400	6.0%	4.4x	3.7%
Q4 2019 Dividend	2019 Dividends	Dividend Yield[4]	Dividend Cover[5]	Dividend 5-Year CAGR[6]

Net Asset Value

$2.4 billion

31 December 2019

Ownership[7]

30.8%

Principal & Employee Ownership
at 31 December 2019

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

2019 Snapshot

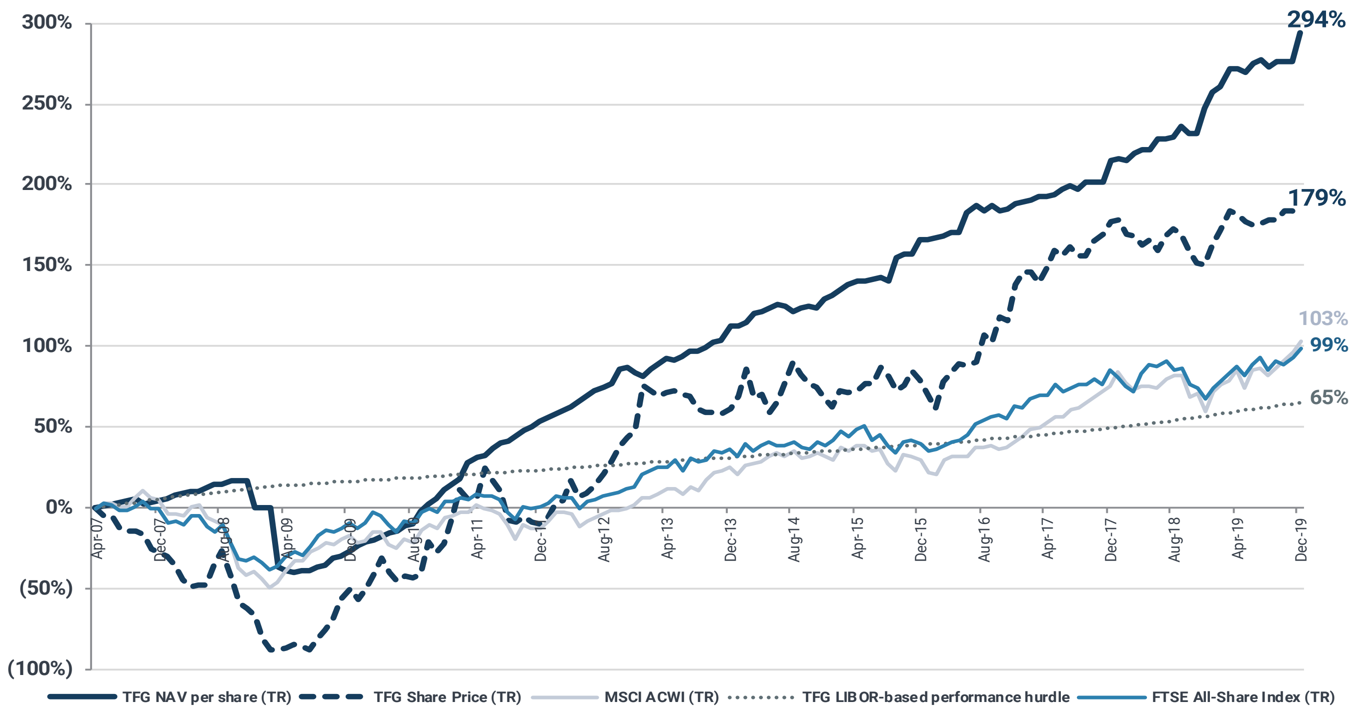
Tetragon aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles.

Figure 1

Tetragon Financial Group - Performance Summary			
	31 December 2019	31 December 2018	Change
Net Assets	$2,386.1m	$2,189.4m	$196.7m
Fully Diluted NAV Per Share	$24.76	$22.48	$2.28
Share Price(1)	$12.25	$11.65	$0.60
Dividend	**$0.7400**	**$0.7200**	**$0.0200**
Dividend Yield	6.0%	6.2%	
Dividend Cover	4.4x	3.7x	
Ongoing Charges(2)	1.73%	1.73%	
Principal & Employee Ownership	30.8%	26.3%	
Investment Returns/Return on Equity(3)	**13.4%**	**12.1%**	
NAV Per Share Total Return(4)	**13.6%**	**10.3%**	
Share Price Total Return(5)	11.5%	(9.0%)	
Tetragon Hurdle: LIBOR +2.65%(6)	5.2%	4.9%	
MSCI ACWI Index Total Return(7)	27.3%	(9.0%)	
FTSE All-Share Index Total Return(7)	19.1%	(9.5%)	

Figure 2

Tetragon's NAV Per Share Total Return and Share Price Since IPO to 31 December 2019



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

Notes

Page 6:

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

(2) NAV per share total return (NAV Total Return) to 31 December 2019, for the last year, the last five years, the last ten years, and since Tetragon's initial public offering in April 2007. NAV Total Return is determined in accordance with the "NAV total return performance" calculation as set forth on the Association of Investment Companies (AIC) website. Tetragon's NAV Total Return is determined for any period by calculating, as a percentage return on the Fully Diluted NAV per Share (NAV per share) at the start of such period, (i) the change in NAV per share over such period, plus (ii) the aggregate amount of any dividends per share paid during such period, with any dividend deemed reinvested at the NAV per share at the month end date closest to the applicable ex-dividend date (i.e. so that the amount of any dividend is increased or decreased by the same percentage increase or decrease in NAV per share from such ex-dividend date through to the end of the applicable period). NAV per share is calculated as Net Assets divided by Fully Diluted Shares Outstanding. Please refer to page 62 for further details.

(3) Tetragon seeks to deliver 10-15% Return on Equity (RoE) *per annum* to shareholders. Please refer to page 62 for the calculation of RoE. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

(4) The dividend yield represents the rolling 12 months of historic Dividends per Share (DPS) divided by the TFG NA share price at 31 December 2019.

(5) Dividend Cover is Earnings Per Share (EPS) divided by DPS at 31 December 2019.

(6) The five-year Compound Annual Growth Rate (CAGR) figure is at 31 December 2019.

(7) Shareholdings at 31 December 2019 of the principals of Tetragon's investment manager and employees of TFG Asset Management, including all deferred compensation arrangements (other than with respect to shares that are subject to performance criteria). Please refer to the Tetragon Financial Group Limited 2019 Audited Financial Statements for more details of these arrangements.

Page 7:

(1) Based on TFG.NA.

(2) Annual calculation as at 31 December 2019. The ongoing charges figure is calculated as defined by the AIC, and comprises all direct recurring expenses to Tetragon expressed as a percentage of average Net Assets, and includes the annual management fee of 1.5%.

(3) Please see Note 3 for Page 6.

(4) Please see Note 2 for Page 6.

(5) 2019 total shareholder return, defined as share price appreciation including dividends reinvested, as sourced from Bloomberg.

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

(7) Any indices and other financial benchmarks are provided for illustrative purposes only. Comparisons to indices have limitations because, for example, indices have volatility and other material characteristics that may differ from the fund. Any index information contained herein is included to show general trends in the markets in the periods indicated, is not meant to imply that these indices are the only relevant indices, and is not intended to imply that the portfolio or investment was similar to any particular index either in composition or element of risk. The indices shown here have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the fund's holdings may differ significantly from the securities that comprise the indices. The MSCI ACWI captures large and mid-cap representation across 23 developed markets and 26 emerging markets countries. With over 2,700 constituents, the index covers approximately 85% of the global investable equity opportunity set. Further information relating to the index constituents and calculation methodology can be found at www.msci.com/acwi. The FTSE All-Share Index represents 98-99% of U.K. market capitalisation and is the aggregate of the FTSE 100, FTSE 250 and FTSE Small Cap indices. Further information relating to the index constituents and calculation methodology can be found at www.ftserussell.com/products/indices/uk.

Strategic Review

Ben Miller
Securities Finance

Letter to Our Shareholders

We are pleased that Tetragon delivered an investment return on equity (RoE) of 13.4%, a NAV Per Share total return of 13.6% and a share price total return of 11.5% in 2019. Tetragon also declared 74.0 cents of dividends per share for the year – a yield of 6.0%.

Tetragon's NAV per share total return has averaged 11.5% over the past five years which compares to annualised performance of 8.41% for the MSCI ACWI Index.(1) Moreover, while the MSCI ACWI fell in two of the past five years, Tetragon generated positive performance in each of the past five years and also met its return target of 10-15% RoE (with the average RoE over the same period of 11.0%).(2) Additionally, we are pleased that Tetragon generated stable returns for its investors across a variety of credit, equity, interest rate, inflation and real estate cycles.

Investors experienced strong markets in 2019, a marked contrast to 2018. Coming off their correction at the end of 2018, major equity markets hit all-time highs in the fourth quarter of 2019. In the United States, the S&P 500 Index returned 31.5% for the year, and in Europe, markets on average rose between 12-25%. Debt markets reflected similar optimism; U.S. high yield spreads – a measure of risk – fell 177 basis points to 360 basis points.(3)

As economic markets exhibited exuberance in 2019, various economic indicators did not. In the United States, GDP fell to an annualised 2%. In Europe, economies also experienced lacklustre growth. Central banks, partly due to this weak growth and subdued price inflation, continued to support easy monetary policies. Treasury yields in the United States fell to 30-year lows; and a not-insignificant amount of debt in Europe and Japan traded at negative yields.

With respect to return on equity, we have consistently underscored the point that Tetragon's returns will most likely fluctuate with interest rates and have noted that in lower risk-free interest rate environments, Tetragon would expect to achieve lower sustainable returns. In our view, in the current environment characterised by continued and sustained low risk-free interest rates, reduced sustainable returns across Tetragon's investments, including outside of Tetragon's target return rate, are to be expected.

Although Tetragon's investment manager takes note of the current interest rate environment and these potentially negative economic indicators, it has generally not sought to forecast the path of financial markets in implementing its investment strategy. Instead, it has built a portfolio diversified across asset classes, geographies and duration. The purpose of this diversification is twofold. First, it may increase the likelihood that the portfolio will exhibit a muted correlation to macro factors. Second, with multiple "return drivers", it may increase the possibility that in any given year the company will generate attractive risk-adjusted returns. In addition to its approach to diversification, the investment manager also incorporates focused risk management into its capital allocation decisions. Incremental investments are considered not just for their return potential, but also for their risk reducing (or increasing) attributes. Tetragon's investment manager is keenly focused on not only Tetragon's balance sheet's asset and liability mix, but also the asset and liability mix of the managers with whom it invests. The investment manager also believes that Tetragon's permanent capital structure helps it to better manage its risks across extended market cycles.

2019 performance gains and losses

All of the portfolio's asset classes and investment strategies produced performance gains for the year with the exception of the "other equities" allocation. Over 40% of the portfolio's gains were generated within TFG Asset Management, driven primarily by Equitix.[4] The company's allocation to private equity and venture capital also delivered strong returns, generating over 30% of the company's gains. Remaining gains were broad-based with returns generated across the portfolio's investments in event-driven equities, convertible bonds, bank loans and real estate.

Over 40% of the portfolio's gains were generated within TFG Asset Management, driven primarily by Equitix. The company's allocation to private equity and venture capital also delivered strong returns, generating over 30% of the company's gains.

TFG Asset Management

Tetragon's largest gain during the year was from TFG Asset Management and its Equitix business. At our 2018 investor day, TFG Asset Management highlighted its active management of its asset management businesses, demonstrated where each of these managers fit in terms of their "maturity", and stressed that TFG Asset Management seeks to partner with managers who can deliver top performance. These goals and this focus have been exemplified in the gains that many of the TFG Asset Management businesses delivered to the company in the past year.

Equitix increased in value as a result of its investment performance, as well as its successful capital raising and accelerated capital deployment. Equitix's assets under management increased by approximately 40% to $7.1 billion (converted to U.S. dollars), up from $5.0 billion at the start of the year: Fund V closed in the second quarter of 2019 at £1.0 billion; Euro Fund I raised €500 million during 2019; and the first close of Fund VI is expected in the first quarter of 2020. These milestones represent an acceleration in capital raising and deployment targets from 2018. Equitix has seen growth opportunities through continued execution against its business plan, as a potential acquirer of complementary businesses, and through geographic expansion.

GreenOak's announced merger with Bentall Kennedy, Sun Life Financial Inc.'s North American real estate and property management firm, closed on 2 July 2019, with TFG Asset Management owning nearly 13% of the combined entity now named BentallGreenOak. During 2019 the BentallGreenOak management team focused on the integration of these two businesses and continued to drive significant fundraising success, ending the year with $49.1 billion of AUM. Notably, during the year BentallGreenOak raised more than $3.2 billion, across its US Core strategy, European debt and equity strategies, and its Asia value-add strategy.

TFG Asset Management's investment in LCM[5] contributed $28.7 million of gains in 2019, reflecting a combination of the continued growth in AUM and favourable movements in market valuation metrics. LCM's AUM increased from $8.3 billion to $9.1 billion during the year and EBITDA grew 50% compared with the prior year. While the CLO market has received its share of negative press in the past year, with a focus on rising corporate debt levels and diminished covenant protections, we believe that LCM is well-positioned. The key attributes to LCM include continuous management since 2001 through multiple cycles; a distinct philosophy focused on risk stability and active portfolio management; and a systematic approach with a focus on CLO indenture compliance through cycles. Since 2003 LCM has generated a historically low default rate for its cash flow CLOs at 0.32% and an IRR of over 14% on equity for redeemed LCM cash flow CLOs.

Although the investment in Polygon[6] recorded a loss of $7.8 million, reflecting slower capital raising in 2019 and a change in the expected future U.K. tax rate in the discounted cash flow model used to value Polygon, Polygon Global Partners was nominated by *EuroHedge* for the Management Firm of the Year award, which is reflective of the strong long-term results of this business. Ultimately, the long-term value of TFG Asset Management's businesses are in part reflective of the returns that these managers generate. Attractive returns not only generate excess performance fees, but also lead to AUM growth. In addition to the Polygon Global Partners nomination, the Polygon Convertible Opportunity Fund was nominated for the ninth time since its inception in 2009 for the 2019 EuroHedge Award in the Convertibles and Volatility category; it has won the award five times. Finally, The Polygon European Equity Opportunity Fund was nominated for the 2019 EuroHedge Award in the Fund of the Year and Event Driven categories, winning the latter.[7]

The value of Tetragon Credit Partners[8] increased by $8.5 million during 2019, reflecting the capital deployment from its existing products as well as an increase in its projected carry. Tetragon Credit Partners had the final close for its TCI III vehicle in January 2019; this fund was 83% deployed by the end of 2019 with the remaining capital expected to be deployed in early 2020. Tetragon Credit Partners will look to fundraise for TCI IV during 2020, as well as launch additional products.

The NAV of Hawke's Point[9] remains small but the Hawke's Point team experienced strong results during the year in their first two investments. While these investments will be discussed below, on the back of this solid foundation, Hawke's Point is looking to begin raising third-party capital in 2020.

Since its founding, Tetragon has sought to identify attractive alternative asset classes and investment strategies, find asset managers it believes to be superior, and to own, where appropriate, all or a portion of asset management companies with which it invests in order to enhance the returns achieved on its capital. For the past several years, the manager has been investing as a limited partner with a variety of leading private equity managers. Typically, these small limited partnership investments have yielded compelling co-investment opportunities. As a result of the early success of this approach, Tetragon has launched an investment management business – Banyan Square Partners – focused on providing non-control structured and common equity solutions to financial sponsors. Initially, Banyan Square Partners will be funded wholly by Tetragon's balance sheet. Over time, however, TFG Asset Management will seek for Banyan Square Partners to raise external capital.

Finally, in 2019 TFG Asset Management secured the continued service of Reade Griffith as its Chief Investment Officer as well as the Chief Investment Officer of its Polygon event-driven European equity strategies into 2024.

Private equity and venture capital

There are several types of investments in this category: (1) Tetragon's Hawke's Point investment; (2) Tetragon's Banyan Square Partners investment; (3) private equity investments with third-party managers; and (4) direct private equity investments, including venture capital investments. During 2019, these investments generated positive gains. Of note during the year were gains generated within Hawke's Point as well as gains generated within the "direct private" category. Tetragon's investment into Hawke's Point generated $36.1 million of net income in 2019, driven by substantial project development and corporate progress in two Australian gold projects in which Hawke's Point is the cornerstone investor.

Within the private equity basket (inclusive of the Hawke's Point investments and Banyan Square

Partners investments), there are more than 20 individual line items, which include allocations to third-party managers, co-investments with managers and positions held directly on the Tetragon balance sheet. Directly, and through Banyan Square Partners, Tetragon has sought to partner with leading private equity managers in the United States and in Europe and expects these allocations to continue to be a source of differentiated returns.

Managers on the TFG Asset Management platform, as well as third-party managers with whom Tetragon invests, have continued to be a source of compelling and differentiated investment ideas for Tetragon's balance sheet. During 2019, Tetragon made a Series C preferred equity venture capital investment in Ripple Labs, a position which is reflected in Figure 10 in "private equity and venture capital - direct". The investment manager has been following Ripple Labs for some time, and although Tetragon is not in a position to comment on various aspects of this investment, the company is pleased with Ripple Labs's progress.

Other equities and credit

There are currently two types of investments in this category: (1) liquid equity investments; and (2) liquid credit investments. The other equities and credit category is diversified across sectors, geographies and managers. Within the category are ten positions, with a focus on biotechnology and growth equity.

Bank loans through CLOs

Tetragon continues to invest in bank loans through CLOs by taking majority positions in the equity tranches. Tetragon's CLO portfolio generated positive performance in 2019, as credit markets strengthened into the start of 2020 after experiencing a mostly volatile year. Tetragon exercised its optional redemption and refinancing rights on certain CLO transactions in 2019 and made new U.S. CLO investments indirectly via the Tetragon Credit Partners platform. We continue to view CLOs as attractive vehicles for obtaining long-term exposure to the leveraged loan asset class. As mentioned above, the CLO market has received its share of negative press in the past year. Although the leveraged loan asset class contains elevated risks, Tetragon continues to believe exposure to that asset class via CLOs represents an attractive risk/reward opportunity. Given the long-term nature of the structure's non-mark-to-market liabilities, certain CLO managers may be able to take advantage of spread widening (*i.e.*, increased loan market volatility). Typically, Tetragon's CLO exposure is with managers who take less risk than the average CLO manager as measured by weighted average spread (WAS). The lower-risk profile of these investments, coupled with the levers that majority equity positions afford their owners (ability to call deals, etc.), bolsters the investment manager's confidence in this allocation.

Real estate

Tetragon's real estate investments generated gains of $27.7 million during 2019. It continues to hold most of its investments in real estate through BentallGreenOak-managed funds and co-investment vehicles. The majority of these vehicles are private equity-style funds concentrating on opportunistic investments targeting middle-market opportunities in the United States, Europe and Asia, where BentallGreenOak believes it can increase value and produce positive unlevered returns by sourcing off-market opportunities where it sees pricing discounts and market inefficiencies. In 2019, the major driver of performance were the BentallGreenOak Asia funds.

Event-driven equities, convertible bonds and quantitative strategies through hedge funds

Tetragon's allocations to hedge funds generated more than $50 million in gains during the year, with the bulk of these profits attributable to the Polygon European Equity Opportunity Fund. This fund focuses on event-driven European equity strategies with catalysts, particularly in mergers and acquisitions, deep-value dislocation trades, and capital markets special situations. Both strategies of the Polygon fund in which Tetragon is invested performed well, with net returns of 13.4% for the absolute return strategy and 31.0% for the long bias strategy. Tetragon added to its investments in this fund by $40.0 million during 2019 and these continue to be among the largest positions for Tetragon.

> The investment manager continues to believe that niche, capacity-constrained, specialist strategies can generate attractive risk-adjusted returns. And importantly, the manager believes that these strategies can generate returns with lower market risk.

Much has been written on the relative unattractiveness of hedge fund strategies, and in some respects Tetragon's investment manager agrees with this overall sentiment. That said, the investment manager continues to believe that niche, capacity-constrained, specialist strategies can generate attractive risk-adjusted returns. And importantly, the manager believes that these strategies can generate returns with lower market risk. The long-term results of the Polygon European Equity Opportunity Fund support this view. Since its inception in 2009, the absolute return strategy has generated 10.8% of gross alpha.[10]

The company's investment in the Polygon Convertible Opportunity Fund generated a gain of $4.9 million during the year. This fund invests in securities across the capital structure of issuers primarily in Europe and North America and seeks to identify relative value opportunities leveraging Polygon's event-driven and convertible expertise in a concentrated and heavily researched portfolio. Net performance in the fund was +6.1% for its flagship share class, amid a backdrop of good performance across convertible hedge funds (the HFR RV Fixed Income-Convertible Arbitrage Index returned +10.7%).[11]

The company's investment in the Polygon Global Equities Fund generated a loss of $0.5 million in 2019. The manager felt that 2019 was disappointing from an equity capital markets perspective, with the lowest level of global IPO activity in three years, according to Dealogic. Finally, Tetragon's investment in the QT Fund had a small gain of $1.5 million during 2019.

Other

Tetragon's net cash balance, which is cash adjusted for known accruals and liabilities, was $55.4 million at 31 December 2019, or 2.3% of NAV. Although this is at a lower level than historically, the company actively manages its cash to cover future commitments and to enable it to capitalise on opportunistic investments and new business opportunities. Tetragon currently has a $150.0 million revolving credit facility in place which is fully drawn as at 31 December 2019. This liability has been incorporated into the net cash balance calculation.

The fourth quarter 2019 dividend was announced at 18.75 cents per share, bringing the full-year 2019 dividend to 74.00 cents per share, which is a 2.8% increase on 2018, continuing the company's progressive dividend policy. Using the year-end share price of $12.25, this gives a yield of 6.0%. Dividend coverage at the end of the year was 4.4x. As Tetragon's investment objective includes generating distributable income, we are pleased that the company has returned $1.37 billion to investors through dividends and share repurchases since its initial public offering in 2007.

Principal and employee ownership increased during 2019 to 30.8% of the company's shares. We believe that this ownership creates an alignment of interest between the investment manager, TFG Asset Management, and Tetragon shareholders.

Principal and employee ownership increased during 2019 to 30.8% of the company's shares. We believe that this ownership creates an alignment of interest between the investment manager, TFG Asset Management, and Tetragon shareholders. At the end of 2019, David Wishnow and Michael Rosenberg stepped back from day-to-day operations with the intention to remain involved with Tetragon as Senior Advisors. Beginning in January 2020, Reade Griffith, Paddy Dear and Stephen Prince serve as the members of Tetragon's investment manager's Investment Committee and Risk Committee.

As elucidated further in the Corporate Governance section, Tetragon and the TFG Asset Management businesses have incorporated Environmental, Social and Governance (ESG) principles into their investment approaches.

We look forward to continuing our engagement with both long-term and new shareholders during 2020. Tetragon's next annual investor day is scheduled to be held in London on 29 April 2020, where we hope to see many of you.

Outlook

Globally, central banks have opted for a policy of "easy" money which has increased valuations in various credit and equity markets. On a relative value analysis, this relationship between rates and valuations makes sense. Although some market participants have pointed to these high valuations as signs of a bubble, if the global economy continues to grow then market valuations are not necessarily too lofty. That said, this equilibrium has two key implications. First, in the absence of reasonable economic growth, go-forward return expectations should reflect the current risk-free rate plus a fair risk premium. That is, future returns for markets, on average, will likely be lower in the next 10 years than they were in the previous 10, given where the risk-free rate is. Second, the current equilibrium between rates and valuations is fragile. If global economies slow, valuations could correct quickly.

Although markets may be fair to fully priced relative to "cheap" money, we believe that most capital has been deployed passively into the most liquid assets and that there are still high levels of dispersion in less-liquid names. These investments appear less expensive than normal and can provide opportunities for Tetragon's investment manager. The longer-term nature of Tetragon's capital allows Tetragon to take some illiquidity risk in its investments, and to stick with certain investments even when they temporarily fall out of favour.

Additionally, TFG Asset Management contains several businesses with the opportunity to continue growing AUM, expand geographically, offer new products, or acquire adjacent businesses. Over time, this activity should continue to be reflected in the value of these businesses.

With Regards,

The Board of Directors

28 February 2020

Notes:

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

(2) 2015 RoE includes a fair value adjustment for certain TFG Asset Management businesses, the value of which had accumulated over several years. Consequently, the full year return of 14.5% was not prepared on a like-for-like basis with prior years. Like-for-like performance for 2015 was 8.2%.

(3) The ICE BofA U.S. High Yield Index (H0A0) - OAS (option adjusted spread over government bonds); source: Bloomberg.

(4) Equitix Holdings Limited, referred to in this report as "Equitix". TFG Asset Management owns 75% of the business.

(5) LCM Asset Management LLC is referred to in this report as "LCM". TFG Asset Management owns a 100% interest in LCM.

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

(7) The Polygon European Equity Opportunity Fund was nominated for the 2019 EuroHedge Award in the Fund of the Year category; there were six other nominees for this award. The Polygon European Equity Opportunity Fund was nominated for the 2019 EuroHedge Award in the Event Driven category; there were three other nominees for this award. The Polygon Convertible Opportunity Fund was nominated for the 2019 EuroHedge Award in the Convertibles & Volatility category; there were three other nominees for this award. Polygon Global Partners was nominated for Management Firm of the Year; there were six other firms nominated for this award. The EuroHedge Award is organised by *EuroHedge* magazine, a publication of Hedge Fund Intelligence. To be considered for an award, funds must submit performance data to the Hedge Fund Intelligence Database and have at least a 12-month track record history. Winners are decided using an established methodology based upon a combination of Sharpe ratios and returns over the relevant time period. Nominations are decided by those funds in each peer group that achieve the strongest Sharpe ratios over 12 months, so long as they also beat the median returns in their relevant peer groups and are within 10% of their high-water marks. The eventual winners will be the funds that have the best returns, as long as they also have Sharpe ratios within 25% of the best Sharpe of the nominees in their relevant peer groups. For the Management Firm of the Year award, nominees and winners are judged on additional comparative criteria as well as absolute returns and Sharpe ratios. Further information about the award, including nomination and winning criteria, is available at https://eurohedgeawards.awardstage.com/#Criteria.

(8) Tetragon Credit Partners is the holding company of the general partner entities for the TCI II and TCI III investment vehicles. TFG Asset Management owns a 100% interest in Tetragon Credit Partners.

(9) Hawke's Point Manager LP, an asset management company focused on mining finance, referred to in this report as "Hawke's Point". TFG Asset Management owns a 100% interest in Hawke's Point.

(10) The net annualised alpha is 7.84%. Alpha calculated by averaging the annualised return of the following time series: [EEOF Returns] – [STOXX Europe 600 Beta] * [STOXX Europe 600 Return] and [ELB Returns] – [STOXX Europe 600 Beta] * [STOXX Europe 600 Return] from inception of ELB pro-forma track record through 31 December 2019. Beta is calculated from ELB inception using monthly returns. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the Fund will or is likely to achieve profits or losses similar to those shown.

(11) The indices shown here have not been selected to represent appropriate benchmarks to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely-recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, the Fund's holdings may differ significantly from the securities that comprise the indices. You cannot invest directly in an index. The HFRI Equity Market Neutral Index (Bloomberg Code: HFRIEMNI) is compiled by HFR Hedge Fund Research Inc. Further information relating to index constituents and calculation methodology can be found at www.hedgefundresearch.com.

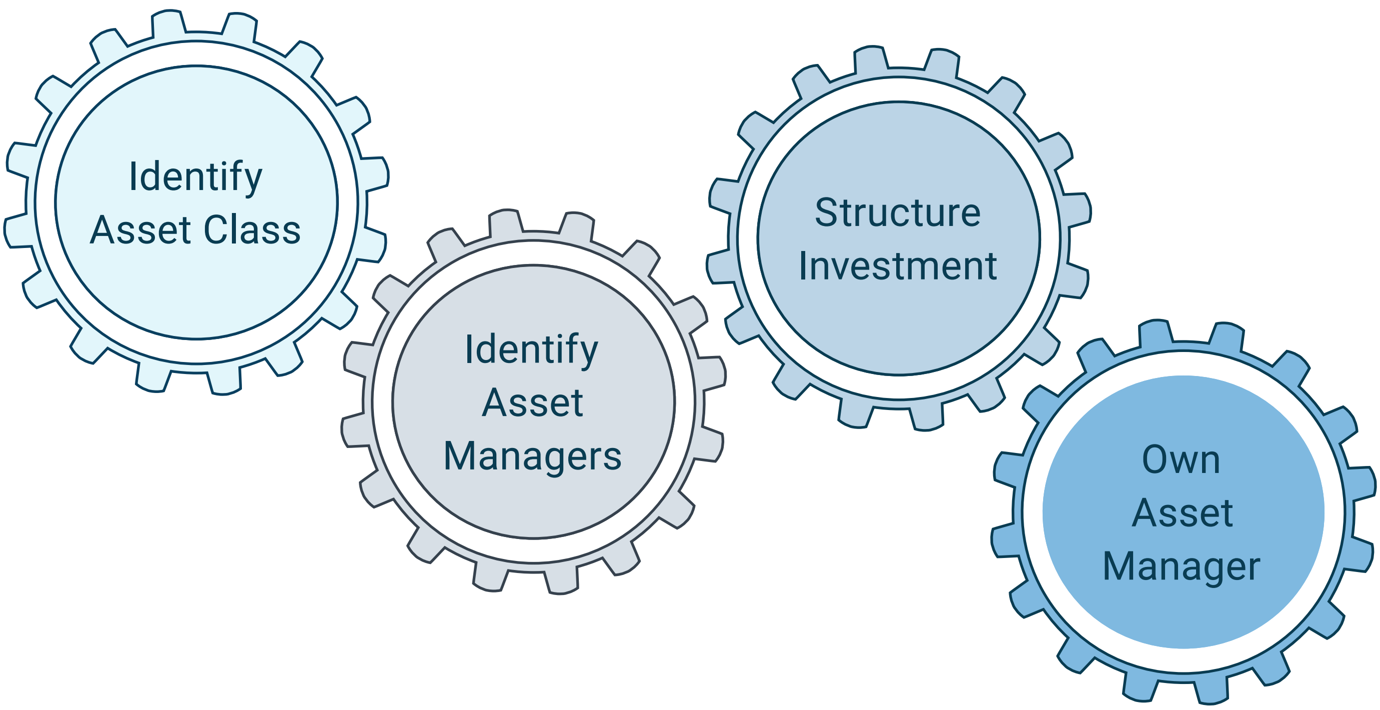
Tetragon was nominated for the 2018 and 2017 Investment Company of the Year Award in the "Flexible" category. There were four other nominees for these awards in 2018, and five other nominees in 2017. The Investment Company of the Year Award is organised by *Investment Week* magazine, a publication of Incisive Media, in association with the AIC (Association of Investment Companies). Investment companies are nominated by the award organisers using performance data provided by the AIC, using Morningstar Data, and FE Limited. Shortlists are constructed using a mixture of AIC data/research as well as from the submissions made by managers in the sector categories. As with the sector categories, winners are decided during the qualitative judging process. Submission for consideration for this category is by invitation only. Full details of the award methodology are available at www.investmentcompanyawards.com/static/methodology.

INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2018 FINALIST

INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2017 FINALIST

Investment Objective & Strategy

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



(1) Euronext in Amsterdam is a regulated market of Euronext Amsterdam N.V. (Euronext Amsterdam).
(2) Tetragon's 'Home Member State' for the purposes of the EU Transparency Directive (Directive 2004/109/EC) is the Netherlands.

Investment Objective & Strategy (continued)

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

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

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

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

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

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

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

Following Tetragon's acquisition of Polygon Management L.P. in 2012, Tetragon's Board of Directors and its investment manager determined that it was in the best interests of Tetragon and its shareholders to have TFG Asset Management manage, oversee and supervise Tetragon's private equity investments in asset management companies. TFG Asset Management, as a unified business, could enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream.

Key Performance Metrics

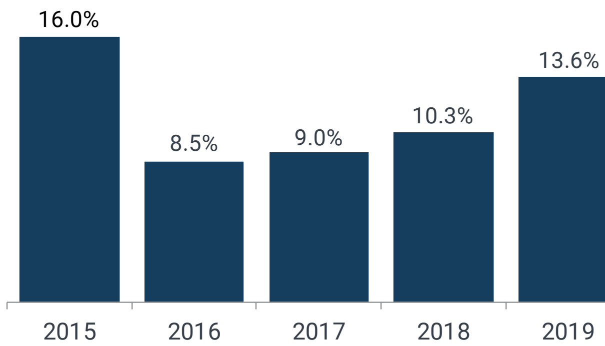
Tetragon focuses on the following key metrics when assessing how value is being created for, and delivered to, Tetragon shareholders:

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

Fully Diluted NAV Per Share

Fully Diluted NAV per share (NAV per share) was $24.76 at 31 December 2019. NAV per share total return was 13.6% for 2019.

Figure 3
NAV Per Share Total Return 2015-2019

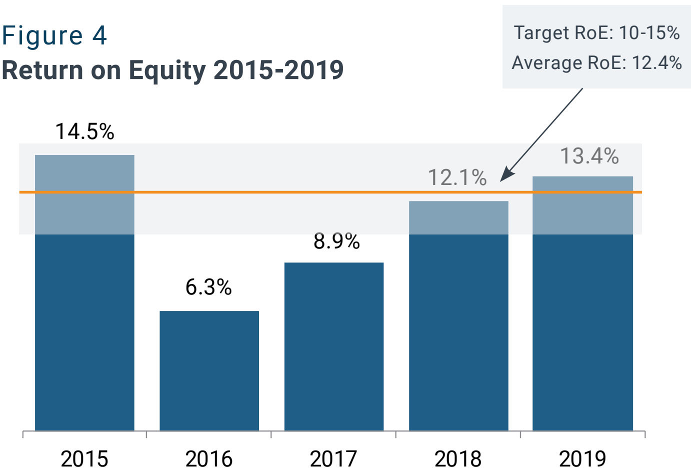


Investment Returns/Return on Equity*

RoE for 2019 was 13.4%. Earnings Per Share (EPS) for 2019 was $3.28.

*Average RoE is calculated from Tetragon's IPO in 2007. 2015 RoE includes a fair value adjustment for certain TFG Asset Management businesses, the value of which has accumulated over several years. Consequently, the full year return of 14.5% is not prepared on a like-for-like basis with prior years. Like-for-like performance for 2015 was 8.2%. Tetragon seeks to deliver 10-15% RoE *per annum* to shareholders. Tetragon's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of Tetragon's investments and, as it can be seen as the risk-free short-term rate, it should affect all of Tetragon's investments. In high-LIBOR environments, Tetragon should achieve higher sustainable returns; in low-LIBOR environments, Tetragon should achieve lower sustainable returns.

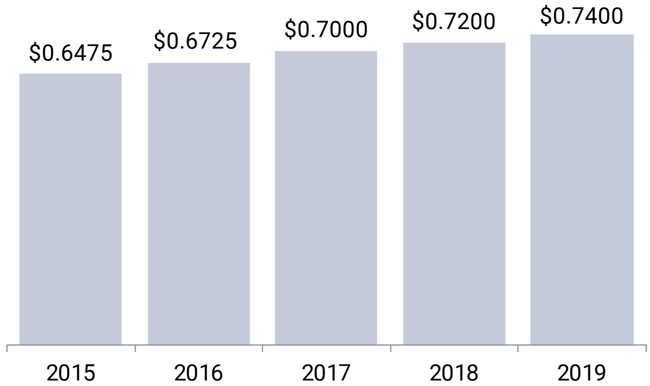
Figure 4
Return on Equity 2015-2019



Dividends Per Share (DPS)

Tetragon declared a Q4 2019 dividend of $0.1875 per share, for a full year dividend payout of $0.7400 per share, continuing the company's progressive dividend policy, which targets a payout ratio of 30-50% of normalised earnings. The cumulative DPS declared since Tetragon's IPO is $6.9175.

Figure 5
Dividend Per Share Comparison 2015-2019 (USD)

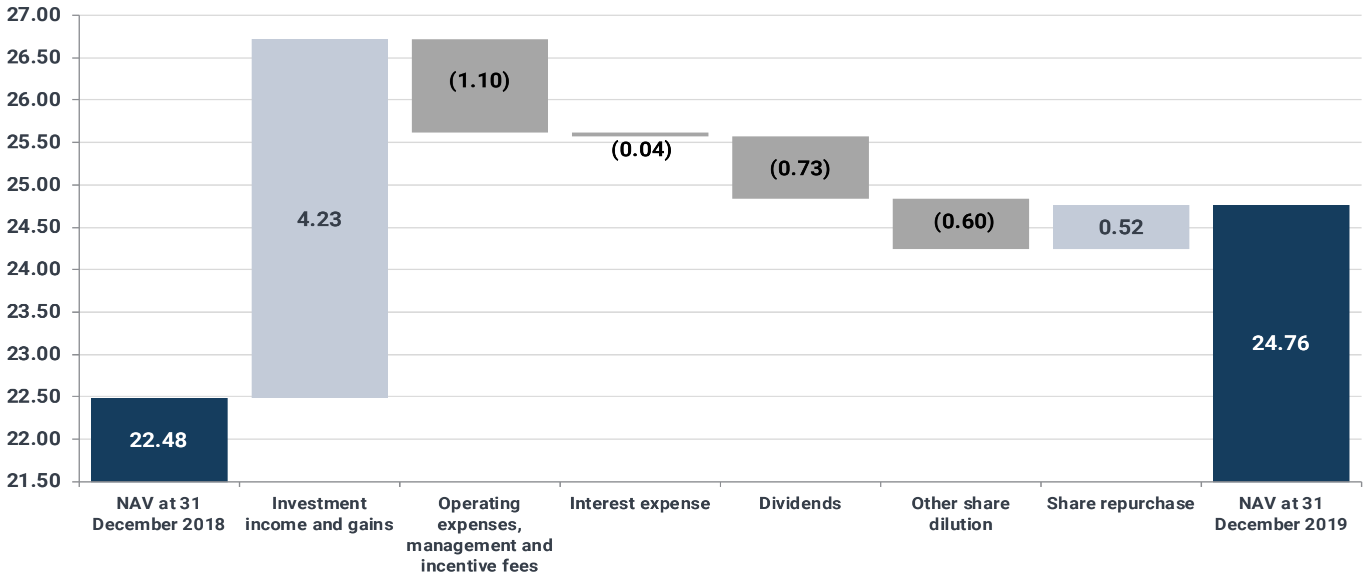


Investment Review

NAV Per Share

Tetragon's Fully Diluted NAV Per Share increased from $22.48 per share as at 31 December 2018 to $24.76 per share as at 31 December 2019. Figure 6 below shows the contributions to that performance.

Figure 6
Year-on-Year NAV Per Share Progression (USD)(i)



(i) Progression from 31 December 2018 to 31 December 2019 is an aggregate of each of the 12 months' NAV progressions. With the exception of share repurchases, all of the aggregate monthly Fully Diluted NAV Per Share movements in the table are determined by reference to the fully diluted share count at the start of each month.

Net Asset Breakdown Summary

The table shows a breakdown of the composition of Tetragon's NAV at 31 December 2018 and 31 December 2019, and the factors contributing to the changes in NAV over the period.

Figure 7
All figures below are in millions of U.S. dollars.

Asset Classes	NAV at 31 Dec 2018	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 Dec 2019
Private equity in asset management companies	662.1	9.9	(89.1)	164.6	747.5
Event-driven equities, convertible bonds and quantitative strategies	430.1	48.6	-	53.3	532.0
Bank loans	326.7	69.5	(87.2)	30.9	339.9
Real estate	212.8	49.9	(83.5)	27.7	206.9
Private equity and venture capital	145.9	198.7	(186.5)	131.7	289.8
Other equities and credit(ii)	140.5	116.7	(30.1)	(12.5)	214.6
Net cash(iii)	271.3	-	(222.7)	6.8	55.4
Total	**2,189.4**	**493.3**	**(699.1)**	**402.5**	**2,386.1**

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

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

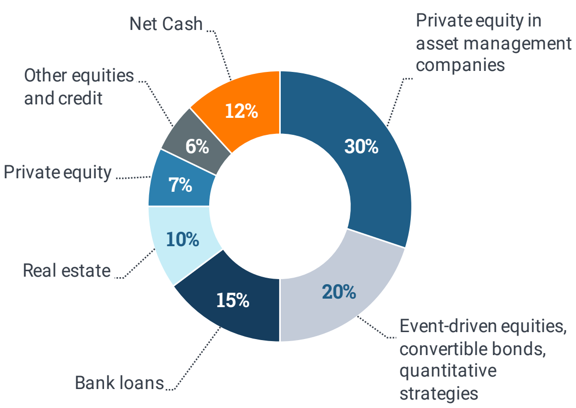
(iii) Net cash consists of: (1) cash held directly by Tetragon, (2) excess margin held by brokers associated with assets held directly by Tetragon, (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring significant tax and transfer costs, and (4) two investments which were realised after year end, net of other current assets and liabilities.

Net Asset Composition Summary

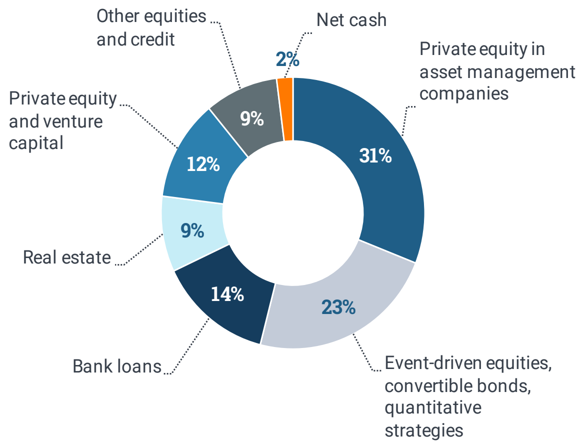
Net Asset Breakdown at 31 December 2018 and 31 December 2019

Figure 8

31 December 2018



31 December 2019



Top 10 Holdings by Value as of 31 December 2019

Figure 9

	Holding	Asset Class	Value ($millions)	% of NAV
1	Equitix	Private equity in asset management company	301.1	12.6%
2	Polygon European Equity Opportunity Fund Absolute Return	Event-driven equities	258.7	10.8%
3	BentallGreenOak	Private equity in asset management company	190.8	8.0%
4	LCM	Private equity in asset management company	186.0	7.8%
5	Ripple Labs Inc. - Series C Preferred Stock	Private equity and venture capital	150.0	6.3%
6	Polygon European Equity Opportunity Fund Long Bias	Event-driven equities	119.0	5.0%
7	Polygon Convertible Opportunity Fund	Convertible bonds	81.7	3.4%
8	Hawke's Point Fund 1	Private equity and venture capital	81.1	3.4%
9	TCI III	Bank loans	70.4	2.9%
10	TCI II	Bank loans	59.0	2.5%
	Total			**62.7%**

Detailed Investment Review

Figure 10 breaks out more detail showing the effect of capital flows and performance gains and losses on the NAV of each asset class during 2019; more detailed commentary for each asset class follows.

Figure 10

Asset Class	NAV at 31 Dec 2018 ($m)	Additions(i)	Disposals/ Receipts(i)	Gains/ Losses	NAV at 31 Dec 2019 ($m)	% of NAV
Private equity in asset management companies						
Equitix	230.9	3.3	(54.9)	121.8	301.1	12.6%
BentallGreenOak	208.5	3.1	(34.1)	13.3	190.8	8.0%
LCM	154.9	2.5	(0.1)	28.7	186.0	7.8%
Polygon	55.1	0.8	-	(7.8)	48.1	2.0%
Tetragon Credit Partners	11.0	0.2	-	8.5	19.7	0.8%
Hawke's Point	1.7	-	-	0.1	1.8	0.1%
Banyan Square Partners(ii)	-	-	-	-	-	0.0%
Event-driven equities						
Polygon European Equity Opportunity Fund Absolute Return	190.7	42.1	-	25.9	258.7	10.8%
Polygon European Equity Opportunity Fund Long Bias	91.0	6.5	-	21.5	119.0	5.0%
Polygon Global Equities Fund	21.4	-	-	(0.5)	20.9	0.9%
Convertible bonds						
Polygon Convertible Opportunity Fund	76.8	-	-	4.9	81.7	3.4%
Quantitative strategies						
QT Fund Ltd	50.2	-	-	1.5	51.7	2.2%
Bank Loans						
U.S. CLOs (LCM)	202.9	-	(32.2)	19.8	190.5	8.0%
TCI III	4.2	69.5	(6.6)	3.3	70.4	3.0%
TCI II	65.3	-	(8.6)	2.3	59.0	2.5%
U.S. CLOs (non-LCM)	54.0	-	(39.7)	5.7	20.0	0.8%
European CLOs	0.3	-	(0.1)	(0.2)	-	0.0%
Real estate						
BentallGreenOak Europe funds & co-investments	67.9	11.3	(16.8)	6.6	69.0	2.9%
BentallGreenOak U.S. funds & co-investments	57.5	8.1	(1.3)	(0.3)	64.0	2.7%
BentallGreenOak Asia funds & co-investments	41.1	27.5	(63.1)	24.4	29.9	1.3%
BentallGreenOak debt funds	4.6	2.5	(2.3)	0.4	5.2	0.2%
Other real estate	41.7	0.5	-	(3.4)	38.8	1.6%
Private equity and venture capital						
Hawke's Point Fund 1	17.9	27.1	-	36.1	81.1	3.4%
Banyan Square Fund 1	-	15.0	-	-	15.0	0.6%
Other funds and co-investments	30.9	6.6	(2.2)	7.8	43.1	1.8%
Direct	97.1	150.0	(184.3)	87.8	150.6	6.3%
Other equities and credit(iii)						
Other equities	116.7	109.6	(21.5)	(19.3)	185.5	7.8%
Other credit	23.8	7.1	(8.6)	6.8	29.1	1.2%
Cash						
Net cash(iv)	271.3	-	(222.7)	6.8	55.4	2.3%
Total	**2,189.4**	**493.3**	**(699.1)**	**402.5**	**2,386.1**	**100.0%**

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

(ii) Banyan Square Partners has not yet been valued by a third-party valuation specialist.

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

(iv) Net cash consists of: (1) cash held directly by Tetragon, (2) excess margin held by brokers associated with assets held directly by Tetragon, (3) cash held in certain designated accounts related to Tetragon's investments, some of which may only be used for designated purposes without incurring significant tax and transfer costs, and (4) two investments which were realised after year end, net of other current assets and liabilities.

Private equity investments in asset management companies

One of Tetragon's significant investments is TFG Asset Management, a diversified alternative asset manager that owns majority and minority private equity stakes in asset management companies. TFG Asset Management, as a unified business, is intended to enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream. As at 31 December 2019, TFG Asset Management comprised LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners and Banyan Square Partners. TFG Asset Management recorded an investment gain of $164.6 million during 2019, with positive contributions from all but one of the businesses.

- Equitix: This investment was the most significant contributor during 2019 with gains of $121.8 million. This was primarily driven by a combination of investment performance, as well as its successful capital raising and accelerated capital deployment. At the end of 2019, Equitix managed $7.1 billion when converted to U.S. dollars, up from $5.0 billion at the start of the year: Fund V closed in the second quarter of 2019 at £1 billion; Euro Fund I raised €500 million of capital during 2019; and the first close of Fund VI is expected in the first quarter of 2020. These milestones represent an acceleration in capital raising and deployment targets from 2018. In addition, the discount rate applied in the discounted cash flow model reduced by 0.25%. During 2019, Equitix repaid $54.9 million of loan notes (including accrued interest) to Tetragon.
- BentallGreenOak: GreenOak's announced merger with Bentall Kennedy, Sun Life Financial Inc.'s North American real estate and property management firm, closed on 2 July 2019, with TFG Asset Management owning nearly 13% of the combined entity now named BentallGreenOak. There are a number of cash flow elements to the transaction, which are set out in the Figure 20 commentary in Tetragon's 2018 Annual Report. During 2019, this investment contributed a gain of $13.3 million. This reflects a distribution of carried interest, as well as both a reduction in the discount rate applied and the unwinding of the discount, now that the future dates of the call and put options have become fixed as a result of the transaction close.
- LCM: TFG Asset Management's investment in LCM contributed $28.7 million of gains in 2019, reflecting a combination of the continued growth in AUM and favourable movements in market valuation metrics. LCM's AUM increased from $8.3 billion to $9.1 billion during the year and EBITDA grew approximately 50% compared with the prior year.
- Polygon: The investment in Polygon recorded a loss of $7.8 million, primarily reflecting slower capital raising in 2019 and a change in the expected future U.K. tax rate in the discounted cash flow model used to value Polygon.
- Tetragon Credit Partners: Tetragon Credit Partners had the final close for TCI III in January 2019 at $429.5 million; this fund was 83% deployed by the end of 2019 with the remaining capital expected to be deployed in early 2020. The value of Tetragon Credit Partners increased by $8.5 million during 2019, reflecting the capital deployment from its existing products as well as an increase in its projected carry.
- Hawke's Point: The NAV of Hawke's Point remains small with AUM approximately $82 million at the end of 2019, however, the Hawke's Point team experienced strong results during the year in their first two investments.
- Banyan Square Partners: This business was founded by TFG Asset Management in 2019. Banyan Square Partners is an investment management business focused on providing non-control structured and common equity solutions to financial sponsors. Initially, Banyan Square Partners will be funded wholly by Tetragon's balance sheet. Tetragon's investment in Banyan Square Partners has not yet been valued by a third-party valuation specialist.

Detailed Investment Review (continued)

Please see Note 5 in the 2019 Tetragon Financial Group Audited Financial Statements for further details on the basis for determining the fair value of TFG Asset Management. Additionally, for further colour on the underlying performance of the asset managers, please see Figure 18 for TFG Asset Management's *pro forma* operating results and associated commentary.

Event-driven equities, convertible bonds and quantitative strategies

Tetragon invests in event-driven equities, convertible bonds and quantitative strategies through hedge funds. At 31 December 2019, these investments are primarily through hedge funds managed by Polygon, a subsidiary 100% owned by TFG Asset Management. Polygon and its funds were nominated for four awards by *EuroHedge* for performance in 2019: the Polygon European Equity Opportunity Fund won the award for the Event Driven category, and was nominated for Fund of the Year; the Polygon Convertible Opportunity Fund was nominated in the Convertibles & Volatility category; and Polygon was nominated for Management Firm of the Year.[1]

Event-driven Equities

- **Polygon European Equity Opportunity Fund:** This fund focuses on event-driven European equity strategies with catalysts, particularly in mergers and acquisitions, deep-value dislocation trades, and capital markets special situations. Tetragon's investments in 2019 recorded a gain of $47.4 million. Amid broad equity gains in European markets – the STOXX Europe 600 had a total return of nearly 27% in 2019 – both classes of the Polygon fund in which Tetragon is invested performed well, with net returns of 13.4% for the Absolute Return class and 31.0% for the Long Bias class. With private equity buyers recently raising capital, we expect increased activity in the mid-cap corporate space across Europe in 2020, creating potential investment opportunities for the fund, which has approximately 80% of its portfolio invested in companies with market capitalisations below $5.0 billion. Tetragon added to its investments in this fund by $40.0 million during 2019 and these continue to be among the largest positions for Tetragon.
- **Polygon Global Equities Fund:** Tetragon's investment generated a loss of $0.5 million in 2019. The manager felt that 2019 was disappointing from an equity capital markets perspective, with the lowest level of global IPO activity in three years, according to Dealogic. The position remains relatively small.

(1) Please see Note 7 on page 16.

Convertible Bonds

- **Polygon Convertible Opportunity Fund:** This fund invests in securities across the capital structure of issuers primarily in Europe and North America, and seeks to identify relative value opportunities leveraging Polygon's event-driven and convertible expertise in a concentrated and heavily-researched portfolio. Tetragon's investment generated a gain of $4.9 million in 2019. Net performance in the fund was +6.1% for its flagship share class, amid a backdrop of good performance across convertible hedge funds (the HFR RV Fixed Income-Convertible Arbitrage Index returned +10.7%).[2] The fund was nominated for the ninth time since its inception in 2009 for the 2019 EuroHedge Award in the Convertibles and Volatility category; it has won the award five times.[3]

Quantitative Strategies

- **QT Fund Ltd:** The QT Fund aims to deliver uncorrelated, low volatility returns by developing and deploying systematic data-driven investment strategies and is managed by a team at Credit Suisse. Tetragon's investment in this third party-managed quantitative hedge fund had a gain of $1.5 million during 2019; the position remains relatively small. This position is expected to be redeemed in April 2020.

Bank Loans

Tetragon continues to invest in bank loans through CLOs by taking majority positions in the equity tranches. Tetragon's CLO portfolio generated positive performance in 2019, as credit markets strengthened into the start of 2020 after experiencing a mostly volatile year. Tetragon exercised its optional redemption and refinancing rights on certain CLO transactions in 2019 and made new U.S. CLO investments indirectly via the Tetragon Credit Partners platform. We continue to view CLOs as attractive vehicles for obtaining long-term exposure to the leveraged loan asset class.

(2) Please see Note 11 on page 16.
(3) Please see Note 7 on page 16.

- **U.S. CLOs (LCM):** Directly-owned LCM CLOs produced $19.8 million of income in 2019. The fair value of this segment decreased by 6.1% as Tetragon did not directly make any new LCM CLO investments and existing investments continued to naturally amortise. All LCM CLO transactions were compliant with their junior-most overcollateralisation (O/C) tests as of the end of 2019.(4)

  During 2019, Tetragon successfully refinanced certain tranches in two LCM-managed CLOs, reducing the interest cost of debt to the benefit of our equity tranche investments (all else being equal). We continue to look for opportunities to optimise the capital structure of our investments when possible.

  Tetragon currently expects to make most of its new issue LCM CLO equity investments via the Tetragon Credit Partners platform.

- **TCI II(5) and TCI III(6):** TCI II is the CLO investment vehicle established by Tetragon Credit Partners, a 100% owned subsidiary of TFG Asset Management. As of 31 December 2019, Tetragon's commitment to TCI II was $70.0 million, which was fully funded. During 2019, Tetragon's investment in TCI II made $8.6 million in cash distributions and generated $2.3 million of income. TCI II successfully refinanced certain debt tranches in four CLOs in 2019, reducing the interest cost of debt on those transactions and, all things equal, increasing the future expected cash flows to the equity tranches.

  Tetragon Credit Partners' other private equity fund, TCI III, had its final close in 2019, bringing total committed capital to $429.5 million. Tetragon's commitment to TCI III is $85.9 million, of which $71.8 million was drawn as of the end of 2019. As of 31 December 2019, TCI III had made 12 investments and expects to deploy the remaining capital in early 2020. TCI III made $6.6 million in cash distributions to Tetragon and generated $3.3 million in income in 2019.

(4) Based on the most recent trustee reports available as of 31 December 2019. Throughout this report, we refer to overcollateralisation or "O/C" tests, which are CLO-specific tests that measure the par amount of underlying CLO collateral (adjusted in certain cases for defaults or other "stressed" asset types) against the par value of the rated CLO debt tranches. The failure of an overcollateralisation test generally results in the temporary cessation of cash flows to the CLO's equity tranche.

(5) Tetragon Credit Income II L.P.

(6) Tetragon Credit Income III L.P.

  As of the end of 2019, all CLOs held by TCI II and TCI III were compliant with their junior-most O/C tests.(7)

- **U.S. CLOs (non-LCM):** Non-LCM-managed CLOs generated $5.7 million of income in 2019. The fair value of this segment declined substantially during the year, ending 2019 at $20.0 million, as Tetragon did not add any direct non-LCM-managed CLO investments and the existing deals continued to naturally amortise. As of the end of 2019, all non-LCM CLOs were compliant with their junior-most O/C tests.(8)

  As with LCM CLOs, we currently expect to make most of our new issue non-LCM equity investments indirectly via the Tetragon Credit Partners platform.

- **European CLOs:** The remainder of Tetragon's exposure to this segment was monetised during 2019.

Real Estate

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

- **BentallGreenOak Europe funds and co-investments:** BentallGreenOak's Europe-focused products primarily target distressed opportunities and deep value acquisitions in markets with solid underlying fundamentals. The majority of assets acquired by the firm's European team since inception are concentrated in London, Madrid, Barcelona and Milan, with the remaining assets located in other established cities throughout Spain and the United Kingdom. Many of the investments focus on office space and logistics. In 2019, these investments generated gains of $6.6 million, primarily driven by upward revaluation of the Europe II fund as well as a standalone U.K. property investment.

(7) Based on the most recent trustee reports available as of 31 December 2019.

(8) Based on the most recent trustee reports available as of 31 December 2019.

Detailed Investment Review (continued)

- **BentallGreenOak U.S. funds and co-investments:** In the United States, BentallGreenOak seeks to identify market dislocation and inefficiencies in major coastal gateway cities where it can acquire underperforming assets in dynamic submarkets. Property types have included office, multifamily, retail and hotel properties in New York, Los Angeles, Boston, San Francisco, Washington, D.C. and Miami. In 2019, these investments generated a net loss of $0.3 million for Tetragon.

- **BentallGreenOak Asia funds and co-investments:** The Asia-focused investments primarily target investment opportunities in Tokyo and other major urban markets in Japan, focusing on balance sheet restructurings and other distress-related factors that motivate sellers. With gains of $24.4 million, Asia-based investments were the most significant drivers of Tetragon's investment gains in BentallGreenOak funds during 2019. A realised gain on the disposal of an office block with retail space in Tokyo was the main contributor.

- **BentallGreenOak debt funds:** BentallGreenOak provides loans secured by commercial real estate throughout the United Kingdom and Europe and focuses on transitional assets or locations; repositioning or redeveloping plays; rapid reaction debt; higher leverage loans and subordinated loans. Tetragon's investments in this segment are currently small relative to its other real estate investments; $0.4 million of gains were generated in 2019.

- **Other real estate:** In addition to the commercial real estate investments through BentallGreenOak-managed real estate funds, Tetragon also has investments in commercial farmland in Paraguay managed by Scimitar, a specialist manager in South American farmland. During 2019, the farmlands were revalued by an independent valuation specialist, with a reduction in the current market value of $3.4 million reflecting current market conditions in Paraguay.

Private equity and venture capital

Tetragon's private equity and venture capital investments comprise several types of investments: (1) Tetragon's Hawke's Point investment; (2) Tetragon's Banyan Square Partners investment; (3) private equity investments with third-party managers; and (4) direct private equity investments, including venture capital investments.

- **Hawke's Point:** Tetragon's investment into mining finance via a vehicle managed by Hawke's Point generated $36.1 million of net income in 2019, driven by substantial project development and corporate progress in two Australian gold projects in which Hawke's Point is the cornerstone investor. Both projects are anticipated to come online in calendar year 2021. Hawke's Point continues to actively seek and progress new opportunities in what it believes to be a favourable market environment.

- **Banyan Square Partners:** Tetragon made its first investment into an asset managed by Banyan Square Partners in the fourth quarter of 2019 with a leading technology-focused private equity firm.

- **Other funds and co-investments:** At 31 December 2019, Tetragon had a 1.8% allocation to investments in private equity funds and co-investment vehicles in Europe and North America. This category generated a gain of $7.8 million in 2019.

- **Direct:** As at year-end, Tetragon held a number of direct private equity investments including both level 2 and level 3 assets, two of which were realised after year-end. This segment generated a gain of $87.8 million in 2019.

Other equities and credit

Occasionally, Tetragon will make investments directly on its balance sheet reflecting single strategy ideas: either co-investing with some of its underlying managers or simply idiosyncratic investments which it believes are attractive but may be unsuitable for an investment via TFG Asset Management vehicles. These investments tend to be opportunistic and with a catalyst. We believe that the sourcing of these investments has been facilitated by the managers on the TFG Asset Management platform as well as third-party managers with whom Tetragon invests. We also believe this ability to invest flexibly is a benefit of Tetragon's structure.

- **Other equities:** This segment generated losses of $19.3 million; these investments comprised European and U.S.-listed public equities. Biotechnology positions and one event-driven investment drove the losses, which were still held on the balance sheet at 31 December 2019.

- **Other credit:** This segment generated a gain of $6.8 million during 2019, driven by corporate bonds.

Cash

Tetragon's net cash balance, which is cash adjusted for known accruals and liabilities, was $55.4 million at 31 December 2019. Tetragon currently has a $150.0 million revolving credit facility in place which is fully drawn as at 31 December 2019. This liability has been incorporated into the net cash balance calculation.

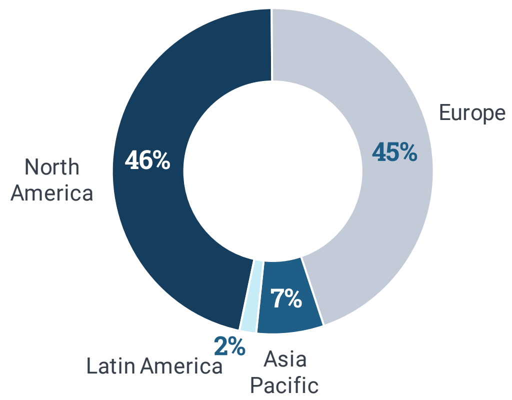
The company actively manages its cash levels to cover future commitments and to enable it to capitalise on opportunistic investments and new business opportunities. During 2019, Tetragon used $493.3 million of cash to make investments, $50.3 million to repurchase its shares and $44.8 million to pay dividends. $476.4 million of cash was received as distributions and proceeds from the sale of investments. Future cash commitments are approximately $217.4 million, comprising hard investment commitments (BentallGreenOak funds $54.9 million, private equity funds $31.1 million and TCI III $14.1 million) and soft investment commitments (Banyan Square Partners fund $85.0 million and the Hawke's Point fund $32.3 million).

Further Portfolio Metrics

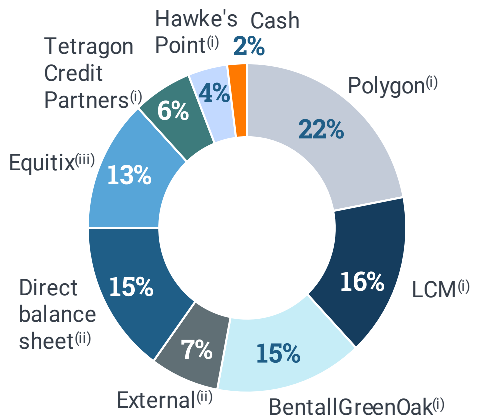
Exposures at 31 December 2019

Figure 11

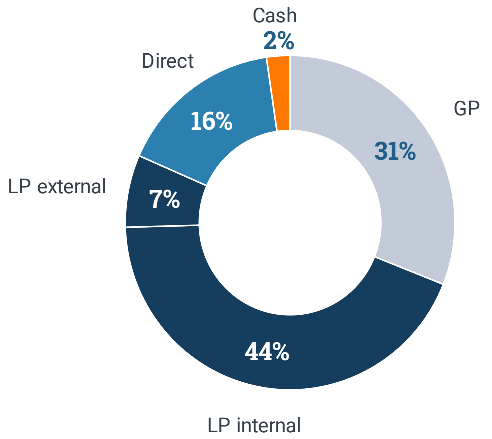
By Geography(1)



By Exposure(2)



By Investment



Tetragon's investments comprise:

- GP - private equity in asset management companies
- LP internal - investments in funds/accounts on the TFG Asset Management platform
- LP external - investments in external funds/accounts
- Direct - direct balance sheet investments
- Cash

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

(1) Assumptions for "By Geography":

- Event-driven equities, convertible bonds, quantitative strategies, private equity and 'other equities and credit' investments are based on the geographies of the underlying portfolio assets.
- U.S. CLOs, TCI II and TCI III are 100% North America.
- BentallGreenOak (TFG Asset Management) treated as 20% Europe, 67% North America, 13% Asia.
- Polygon (TFG Asset Management) treated as 80% Europe, 20% North America.
- LCM (TFG Asset Management) treated as 100% North America.
- Equitix (TFG Asset Management) treated as 100% Europe.
- Tetragon Credit Partners (TFG Asset Management) treated as 100% North America.

(2) Assumptions for "By Exposure":

(i) Exposure represents the net asset value of (1) the private equity position in the relevant asset management company and (2) investments in funds/accounts managed by that asset management company.

(ii) Exposure represents the net asset value of investments.

(iii) Exposure represents the net asset value of the private equity position in the asset management company. Source: Tetragon

Risk Factors

Principal Risks

The principal risks facing Tetragon as a listed investment company are both financial and operational in nature, and ultimately relate to both Tetragon's issued and outstanding non-voting shares as well as its investment portfolio. The financial risks inherent in its portfolio are primarily market-related or are otherwise relevant to particular asset classes. Operational risks include those related to Tetragon's organisational structure, investment manager, legal and regulatory environment, taxation, financing and other areas where internal or external factors could result in financial or reputational loss.

The risks and uncertainties highlighted below are supplemented and described in further detail on Tetragon's website at www.tetragoninv.com/investors/risk-factors.

Financial Risks

Risks Relating to Investing in Tetragon's Shares

The market price of Tetragon's non-voting shares fluctuates significantly and may bear no correlation to Tetragon's NAV, and holders may not be able to resell their Tetragon shares at or above the price at which these were purchased. In addition to portfolio-level and operational risks highlighted below, factors that may cause the price of Tetragon's shares to vary include:

- Changes in Tetragon's financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to Tetragon's business.
- Changes in the underlying values of Tetragon's investments.
- Illiquidity in the market for Tetragon shares, including due to the liquidity of the Euronext Amsterdam N.V. exchange and the Specialist Fund Segment of the Main Market of the London Stock Exchange.
- Speculation in the press or investment community regarding Tetragon'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. If Tetragon breaches the covenants under its financing agreements it could be forced to sell assets at price less than fair value.
- A further issuance of shares or repurchase of shares by Tetragon.
- Dividends declared by Tetragon.
- Broad market fluctuations in securities markets that in general have experienced extreme volatility often unrelated to the operating performance or underlying asset value of particular companies or partnerships.
- General economic trends and other external factors.
- Sales of Tetragon shares by other shareholders.
- The ability to invest in Tetragon shares or to transfer any shares may be limited by restrictions imposed by ERISA regulations and Tetragon's articles of incorporation.

Risks Relating to Tetragon's Investment Portfolio

Tetragon's investment portfolio comprises a broad range of assets, including public and private equities and credit (including distressed securities and structured credit), convertible bonds, real estate, venture capital, infrastructure, bank loans and TFG Asset Management, a diversified alternative asset management business. As a general matter, the portfolio is exposed to the risk that the fair value of these investments will fluctuate.

Risks Relating to TFG Asset Management

TFG Asset Management, as one of Tetragon's investments, has risks particular to private equity investments in asset management businesses. These include:

- The asset management business is intensely competitive.
- The performance of TFG Asset Management may be negatively influenced by various factors, including the performance of managed funds and vehicles and its ability to raise capital from third-party clients.
- TFG Asset Management is highly dependent on its investment professionals for the management of its investment funds and vehicles and on other employees for management, oversight and supervision of its asset management businesses. If and when such persons cease to participate in the management of TFG Asset Management or its investment funds and vehicles, the consequence could be material and adverse.

Risk Factors (continued)

- Certain of TFG Asset Management's businesses have a limited or no operating history.
- The asset management business is subject to extensive regulation.
- Misconduct of TFG Asset Management employees or at the companies in which TFG Asset Management has invested could harm TFG Asset Management by impairing its ability to attract and retain clients and subjecting it to significant legal liability and reputational harm.
- Failure by TFG Asset Management to deal appropriately with conflicts of interest in its investment business could damage its reputation and adversely affect its businesses.
- Tetragon's investment in TFG Asset Management is illiquid.

Risks Relating to Other Tetragon Portfolio Investments

Tetragon otherwise currently invests or expects to invest its capital, directly and indirectly, in:

1. bank loans, generally through subordinated, residual tranches of CLOs;
2. real estate, generally through private equity-style funds managed by BentallGreenOak;
3. public and private equity securities, particularly in event-driven strategies, generally through the Polygon European Equity Opportunity Fund;
4. convertible securities, mainly in the form of debt securities that can be exchanged for equity interests, including through the Polygon Convertible Opportunity Fund;
5. credit securities (including distressed securities and structured credit), including through Tetragon Credit Partners;
6. private equity and venture capital through direct investments and fund investments, including through Banyan Square Partners;
7. infrastructure projects through Equitix Holdings Limited;
8. quantitative strategies, generally through QT Fund Ltd; and
9. mining-industry related equity securities and instruments, including through Hawke's Point.

These portfolio investments are subject to various risks, many of which are beyond Tetragon's control, including:

- These securities are susceptible to losses of up to 100% of the initial investments.
- The performance of these investments may significantly depend upon the performance of the asset manager of funds or products in which Tetragon invests.
- Tetragon may be exposed to counterparty risk.
- The fair value of investments, including illiquid investments, may prove to be inaccurate and require adjustment.
- Adverse changes in international, national or local economic and other conditions could negatively affect investments.
- Tetragon is subject to concentration and geographic risk in its investment portfolio.
- Tetragon's investments are subject to interest rate risk, which could cause its cash flow, the fair value of its investments and its operating results to decrease.
- Tetragon's investments are subject to currency risks, which could cause the value of its investments in U.S. dollars to decrease regardless of the inherent value of the underlying investments.
- The utilisation of hedging and risk management transactions may not be successful, which could subject Tetragon's investment portfolio to increased risk or lower returns on its investments and in turn cause a decrease in the fair value of its assets.
- Tetragon engages in over-the-counter trading, which has inherent risks of illiquid markets, wide bid/ask spreads and market disruption.
- Leverage and financing risk and the use of options, futures, short sales, swaps, forwards and other derivative instruments potentially magnify losses in equity investments.
- Market illiquidity could negatively affect these investments.
- These investments may be subject to medium and long-term commitments with restrictions on redemptions or returns of capital.

Operational Risks

Risks Relating to Organisational Structure

Tetragon has approved a very broad investment objective and the investment manager has substantial discretion when making investment decisions. In addition, the investment manager's strategies may not achieve Tetragon's investment objective.

Tetragon's listed shares do not carry any voting rights other than limited voting rights in respect of variation of their class rights. Tetragon's voting shares are owned by Polygon Credit Holdings II Limited which is a non-U.S. affiliate of Tetragon's investment manager and is ultimately owned by Reade Griffith and Paddy Dear, who also majority own the investment manager. Pursuant to an agreement between Reade Griffith and Paddy Dear, Reade Griffith is the controller of Tetragon's voting shares and the investment manager. Tetragon's voting shares control the composition of the Board of Directors and exercise extensive influence over Tetragon's business and affairs.

Under Tetragon's articles of incorporation, a majority of its directors are required to be independent (Independent Directors), satisfying in all material respects the UK Corporate Governance 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 are not able to act without the approval of both directors who are affiliated with the holder of Tetragon's voting shares. The holder of the voting shares has the right to amend Tetragon's articles of incorporation to change these provisions regarding Independent Directors and to remove a Director from office for any reason. As a result of these provisions, the Independent Directors are limited in their ability to exercise influence over Tetragon's business and affairs.

Tetragon's organisational, ownership and investment structure creates significant conflicts of interest that may be resolved in a manner which is not always in the best interests of Tetragon or its shareholders.

Tetragon's directors and its administrator may have conflicts of interest in the course of their duties.

Tetragon's ability to pay its expenses and dividends will depend on its earnings, financial condition, fair value of its assets and such other factors that may be relevant from time to time, including limitations under the Companies (Guernsey) Law, 2008, as amended.

Risks Relating to Tetragon's Investment Manager

Tetragon's success depends on its continued relationship with its investment manager and its principals. If this relationship were to end or the principals or other key professionals were to depart, it could have a material adverse effect on Tetragon's business, investments and results of operations.

Tetragon is reliant on the skill and judgment of its investment manager in valuing and determining an appropriate purchase price for its investments. Any determinations of value that differ materially from the values Tetragon realises at the maturity of the investments or upon their disposal will likely have a negative impact on Tetragon and its share price.

Tetragon's arrangements with its investment manager were negotiated in the context of an affiliated relationship and may contain terms that are less favourable than those which otherwise might have been obtained from unrelated parties in an arm's-length negotiation.

The holders of Tetragon's listed shares will not be able to terminate its Investment Management Agreement with the investment manager, and the Investment Management Agreement may only be terminated by Tetragon in limited circumstances.

The liability of Tetragon's investment manager is limited under Tetragon's arrangements with it, and Tetragon 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.

The investment manager does not owe fiduciary duties to Tetragon shareholders. However, these contractual limitations do not constitute a waiver of any obligations that the investment manager has under applicable law, including the U.S. Investment Advisers Act of 1940 and related rules.

The investment manager may devote time and commitment to other activities.

The fees payable to the investment manager are based on changes in Tetragon's NAV, which will not necessarily correlate to changes in the market value of its listed shares.

Tetragon's compensation structure with its investment manager may encourage the investment manager to

Risk Factors (continued)

invest in high risk investments. The management fee payable to the investment manager also creates an incentive for it to make investments and take other actions that increase or maintain Tetragon's NAV over the near term even though other investments or actions may be more favourable.

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

Tetragon's investment manager relies on two entities that are part of TFG Asset Management for a broad range of services to support its activities. The services include (i) infrastructure services such as operations, financial control, trading, marketing and investor relations, legal, compliance, office administration, payroll and employee benefits and (ii) services relating to the dealing in and management of investments, arrangement of deals and advising on investments. TFG Asset Management has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to Tetragon's investment manager, in a consistent, fair, transparent and commercially based manner. TFG Asset Management then charges fees to Tetragon's investment manager for the services allocated to it on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. Tetragon's Independent Directors, who are specifically mandated to approve, among other things, related-party transactions, are required to approve the methodology for allocating costs and in their sole discretion the application of that methodology as part of their oversight processes. As such, the annual cost allocation methodology update and the actual annual cost allocations that result based on these cost methodology policies and procedures are separately approved by the Independent Directors.

There are conflicts of interest created by contemporaneous trading by Tetragon's investment manager and investment managers that are part of TFG Asset Management.

Risks Relating to Tetragon's Legal Environment and Regulation

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

Tetragon has and may become involved in litigation that may adversely affect Tetragon's business, investments and results of operations.

No formal corporate governance code applies to Tetragon under Dutch law and Tetragon reports against the AIC Corporate Governance Guide for Investment Companies (which incorporates the UK Corporate Governance Code) on a voluntary basis only.

The rights of the non-voting shareholders and the fiduciary duties owed by the Board of Directors to Tetragon will be governed by Guernsey law and its articles of incorporation and may differ from the rights and duties owed to companies under the laws of other countries.

Tetragon's shares are subject to restrictions on transfers to certain shareholders located in the United States or who are U.S. persons, which may impact the price and liquidity of the shares.

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

Tetragon is not, and does not intend to become, regulated as an investment company under the U.S. Investment Company Act of 1940 and related rules.

Risks Relating to Taxation

United States investors may suffer adverse tax consequences because Tetragon is treated as a passive foreign investment company (PFIC) for U.S. federal income tax purposes.

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

Investors may suffer adverse tax consequences if Tetragon is treated as resident in the United Kingdom or the United States for tax purposes.

Governance

Jessica Gold
Legal, Regulatory & Compliance

Tetragon's Board of Directors

The Board of Directors currently comprises five directors, of which three are Independent Directors.

DERON J. HALEY
Independent Director

Deron Haley, also known as D.J., is a founding Partner and Chief Operating Officer at Durational Capital Management, LP, a New York-based private equity firm that specialises in consumer buy-outs. Prior to Durational Capital Management, Mr. Haley was the Chief Operating Officer of Hound Partners, LLC, a New York-based global equity fund. Prior thereto, he was a senior executive of Ziff Brothers Investments, LLC, a global, single-family office that invested directly in private and public equities, fixed income, global-macro, and commodities, and led firm-wide operational and management initiatives. Mr. Haley began his finance career as an equity research analyst, and later a registered trader before taking on senior managerial roles. Prior to finance, Mr. Haley served five years active duty in the United States Navy. He is a founding Director of the Navy SEAL Foundation and is a member of the Governance and Investment Committees. Mr. Haley is a Director of Ibis Tek, Inc, a small-business defense contractor, and also sits on the Investment Committee of The Heinz Endowments. Mr. Haley recently served as an independent director on the Boards of Directors of several funds managed by TFG Asset Management. He holds a B.S. degree in Mechanical Engineering from Carnegie Mellon University in Pittsburgh and a M.B.A. degree from Harvard Business School.

STEVEN W. HART
Independent Director

Steven Hart serves as president of Hart Capital LLC, which he founded in 1998 as a family office to invest in a diversified portfolio of assets with a strong education industry focus. He also co-founded Florian Education Investors LLC in May 2013, which now includes an ACCSC accredited postsecondary vocational education company offering on ground and online diploma and degree programs to the allied health community. Mr. Hart was the co-owner (1999-2010) and member of the Board of Directors (1999-2007) of Lincoln Educational Services Corporation. From 1983 to 1997, he was co-founder of a family-owned conglomerate where he acquired and managed manufacturing and distribution companies involved in automotive, printing, apparel and industrial textiles, electronics, synthetic foam, and home furnishing industries. Mr. Hart served as chairman of the State of Connecticut Investment Advisory Council from 1995 to 2003, which oversees the State of Connecticut Retirement Plans and Trust Funds, and, as a trustee (1996-2003), and chairman (2003) of the Stanford University Graduate School of Business Endowment Trust. Since 2011, Mr. Hart has been a member of the Boards of Directors of several funds connected with Blue Harbour Group, L.P., a hedge fund based in Greenwich, Connecticut. He earned an M.B.A. degree from Stanford University Graduate School of Business and a B.A. degree in mathematics and economics from Wesleyan University.

DAVID C. O'LEARY
Independent Director

David O'Leary retired from State Street Corporation in Boston, Massachusetts in 2012, where he was Executive Vice President - Chief Administrative Officer (2010-2012) and Executive Vice President - Global Head of Human Resources (2005-2010). At State Street, he managed a global team of 325 staff across 15 countries, and was a member of its 10-person Operating Group and Management Committee, reporting directly to its Chief Executive Officer. From 1985 to 2004, Mr. O'Leary was at Credit Suisse First Boston, serving as Managing Director, Global Head of Human Resources from 1988 to 2003, where he managed a global team of 250 staff in 13 countries responsible for all aspects of Human Resources in the Americas, Europe, and Asia. Mr. O'Leary began his career in financial services at Merrill Lynch & Company in New York, where he was Vice President - Executive Compensation from 1981 to 1985. He earned a M.B.A. degree from the University of Massachusetts, where he graduated first in his class, a M.S. degree from the State University of New York and a B.S. degree from Union College.

The Board of Directors (continued)

READE GRIFFITH

Reade Griffith co-founded the investment manager of Tetragon in 2005 and Polygon in 2002. He is a member of Tetragon's Board of Directors, the head of the investment manager's Investment Committee and Risk Committee, the Chief Investment Officer of TFG Asset Management and the Chief Investment Officer of Polygon's European Event-Driven Equities strategy, in addition to other roles. Mr. Griffith was previously the founder and chief executive officer of the European office of Citadel Investment Group, a multi-strategy hedge fund that he joined in 1998. He was a partner and senior managing director responsible for running the Global Event-Driven arbitrage team in Tokyo, London and Chicago for the firm. Prior to that, he was with Baker, Nye, where he was an analyst working on an arbitrage and special situations portfolio. Mr. Griffith holds an A.B. degree in Economics from Harvard College and a J.D. degree from Harvard Law School. Mr. Griffith is currently a member of the Financial Sector Forum at the Bank of England and the Dean's Advisory Board at Harvard Law School. Mr. Griffith also served as an officer in the U.S. Marine Corps and left as a Captain following the 1991 Gulf War. He is based in London.

PADDY DEAR

Paddy Dear co-founded the investment manager of Tetragon in 2005 and Polygon in 2002. He is a member of Tetragon's Board of Directors and a member of the investment manager's Investment Committee and Risk Committee, in addition to other roles. Mr. Dear was previously a Managing Director and the Global Head of Hedge Fund Coverage for UBS Warburg Equities. Prior to that, he was co-head of European sales trading, execution, arbitrage sales and flow derivatives. He had been with UBS since 1988, including six years in New York. Mr. Dear was in equity sales at Prudential Bache before joining UBS and started his career as a petroleum engineer with Marathon Oil Co. Mr. Dear holds a BSc degree in Petroleum Engineering from Imperial College in London. He is based in London.

The Board of Directors (continued)

Size, Independence and Composition of the Board of Directors of Tetragon

The structure, practices and committees of the Board of Directors of Tetragon, 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 Tetragon's Memorandum and Articles of Incorporation.

Tetragon has five directors (referred to herein as the Directors). Subject as set out below and as elsewhere described in the risk factors found on Tetragon's website at www.tetragoninv.com/investors/risk-factors.aspx, not less than a majority of the Directors are 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, Tetragon's Memorandum and Articles of Incorporation 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 Tetragon

Each member of Tetragon's Board of Directors is elected annually by the holder of Tetragon's 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 Tetragon'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 holder of Tetragon's 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 Tetragon

The Board of Directors of Tetragon 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 both of the Directors affiliated with the holder of Tetragon's voting shares.

The Directors are responsible for the management of Tetragon. They have delegated to the investment manager certain functions, including broad discretion to adopt an investment strategy to implement Tetragon's investment objective. However, certain matters are specifically reserved for the Board of Directors under the Memorandum and Articles of Incorporation.

Transactions in which a Director has an Interest

Provided that a Director has disclosed to the other Directors the nature and extent of any of such Director's interests in accordance with the Companies (Guernsey) Law, 2008, as amended, a Director, notwithstanding his office: (a) may be a party to, or otherwise interested in, any transaction or arrangement with Tetragon or in which Tetragon is otherwise interested; (b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by Tetragon or in which Tetragon is otherwise interested; and (c) shall not be accountable to

Tetragon for any benefit derived from any such transaction or arrangement or from any interest in any such body corporate, 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 authorise 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 Tetragon as of the time it is authorised. Under the Investment Management Agreement, the Directors have authorised the investment manager to enter into transactions on behalf of Tetragon 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 informs the Directors of such transaction and obtains either (i) the approval of a majority of the Directors that do not have a material interest in such transaction or (ii) an opinion from a recognised investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to Tetragon from a financial point of view.

Compensation

The remuneration for Directors is determined by resolution of the holder of Tetragon's voting shares. Currently, the Directors' annual fee is $125,000, in compensation for service on the Board of Directors of Tetragon. The Directors affiliated with the holder of Tetragon's voting shares have waived their entitlement to a fee. The Directors are entitled to be repaid by Tetragon for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with Tetragon providing for benefits upon termination of employment.

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the award, as determined by the share price on grant date of US$ 12.25 per share, is US$ 300,000 for each Independent Director.

Certain Corporate Governance Rules

Tetragon is required to comply with all provisions of the Companies (Guernsey) Law, 2008, as amended, relating to corporate governance to the extent the same are applicable and relevant to Tetragon's activities. In particular, each Director must seek to act in accordance with the "Code of Practice - Company Directors". Tetragon reports against the AIC Code of Corporate Governance (AIC Code). The 2019 AIC Code has been endorsed by, amongst others, the Financial Reporting Council and the Guernsey Financial Services Commission (GFSC). This means that Tetragon may make a statement that by reporting against the AIC Code it is meeting its applicable obligations under the UK Corporate Governance Code 2018, the 2011 GFSC Finance Sector Code of Corporate Governance and any associated disclosure requirements under paragraph 9.8.6 of the London Stock Exchange's Listing Rules. No formal corporate governance code applies to Tetragon under Dutch law.

Indemnity

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

The Audit Committee

The Audit Committee of Tetragon currently comprises the three Independent Directors and is responsible for, among other items, assisting and advising Tetragon's Board of Directors with matters relating to Tetragon's accounting and financial reporting processes and the integrity and audits of Tetragon's financial statements. The Audit Committee is also responsible for reviewing and making recommendations with respect to the plans and results of each audit engagement with Tetragon's independent auditor, the audit and non-audit fees charged by the independent auditor and the adequacy of Tetragon's internal accounting controls.

The Investment Manager

Tetragon Financial Management LP has been appointed the investment manager of Tetragon pursuant to an investment management agreement dated 26 April 2007. The investment manager's general partner, Tetragon Financial Management GP LLC, is responsible for all actions of the investment manager. The general partner is ultimately controlled by Reade Griffith and Paddy Dear, who also control the holder of Tetragon's voting shares and are the voting members of the investment manager's Investment and Risk Committees. Reade Griffith acts as the authorised representative of the general partner and the investment manager.

Its Investment Committee is responsible for the investment management of Tetragon and its portfolio and currently consists of Reade Griffith, Paddy Dear and Stephen Prince. The Investment Committee determines the investment strategy of Tetragon and approves each significant investment by it.

The investment manager's Risk Committee is responsible for the risk management of Tetragon and its portfolio and performs active and regular oversight and risk monitoring. The Risk Committee has the same composition as the Investment Committee.

The investment manager's Executive Committee oversees all key non-investment and risk activities of the investment manager and currently consists of Reade Griffith, Paddy Dear, Stephen Prince, Paul Gannon, Sean Côté and Greg Wadsworth.

Summary of Key Terms of Tetragon's Investment Management Agreement

Under the terms of the Investment Management Agreement, the investment manager has full discretion to invest the assets of Tetragon in a manner consistent with the investment objective of Tetragon. The investment manager has the authority to determine the investment strategy to be pursued in furtherance of the investment objective, which strategy may be changed from time to time by the investment manager in its discretion. The investment manager is authorised to delegate its functions under the Investment Management Agreement.

The Investment Management Agreement continues in full force and effect unless terminated (i) by the investment manager at any time upon 60 days' notice or (ii) immediately upon Tetragon giving notice to the investment manager or the investment manager giving notice to Tetragon 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, as an indemnified party) will be liable to Tetragon or any investor in Tetragon 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 Tetragon, in the absence of fraud or wilful misconduct on the part of an indemnified party, and Tetragon has agreed to indemnify each 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 indemnified party.

The investment manager may act as investment manager or advisor to any other person, so long as its services to Tetragon are not materially impaired thereby, and need not disclose to Tetragon 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 Tetragon 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 Tetragon.

The investment manager is authorised to enter into transactions on behalf of Tetragon 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 Directors 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 recognised investment bank, auditing firm or other appropriate professional firm substantively to the effect that the financial terms of the transaction are fair to Tetragon from a financial point of view.

Management and Incentive Fees; Expenses

All fees and expenses of Tetragon, except for the incentive fees for the investment manager (as described below), will be paid by Tetragon, including management fees relating to the administration of Tetragon.

The investment manager is entitled to receive management fees equal to one and one-half percent (1.5%) *per annum* of the NAV of Tetragon payable monthly in advance prior to the deduction of any accrued incentive fees. No separate management fees are payable with respect to the NAV of Tetragon.

Tetragon 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 Tetragon during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of shares (or other relevant capital adjustments) 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.

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 Board of Directors of Tetragon.

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 ending three months earlier than 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 amounts of any redemptions or repurchases of shares (or other relevant capital adjustments) 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 equals 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 of 2.647858%, in each case multiplied by (x) the actual number of days in the Calculation Period divided by (y) 365. (In Tetragon's initial public offering in April 2007, the Hurdle Rate was fixed at 8% *per annum* for the 12-month period following IPO with it then being adjusted as specified above. The referenced hurdle spread of 2.647858% is 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 IPO 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 Tetragon.

An incentive fee of $34.0 million was accrued in the fourth quarter of 2019 in accordance with Tetragon's investment management agreement. The hurdle rate for the first quarter of 2020 incentive fee has been reset at 4.548108% (Q4 2019: 4.736488%) as per the process outlined above and in accordance with Tetragon's investment management agreement.

The NAV determined in accordance with IFRS includes carrying investments in TFG Asset Management businesses at fair value rather than being consolidated, which was how they were previously treated under U.S. GAAP. The result of the foregoing was an increase in NAV and an incentive fee payable of $25.1 million recognised in previous periods. The Investment Manager agreed to accept payment of this portion of the incentive fee in the form of shares, which were to be held in escrow until 31 December 2021 or, at the Manager's option, the earlier occurrence of a realisation event with respect to the TFG Asset Management businesses, and subject to a "clawback" mechanism should the NAV of the TFG Asset Management businesses decline at the end of the escrow period or the investment management agreement is terminated. The expense has been recognised in full in the year in which the NAV event occurred through equity and the share-based compensation reserve.

The Board of Directors determined that the merger of GreenOak with Bentall Kennedy satisfied the criteria for a realisation event as per the terms of the arrangement described above. As a result, 2.4 million shares were released from escrow including stock dividends awarded on the original shares. $25.1 million was transferred from share-based compensation reserve to other equity in relation to the original shares. An amount of $4.7 million was released against retained earnings, based on the stock reference price at each applicable dividend date.

Tetragon generally bears all costs and expenses directly related to its investments or prospective investments, such as brokerage commissions, interest on debit balances or borrowings, custodial fees and legal and consultant fees. Tetragon also generally bears all out-of-pocket costs of administration including accounting, audit, administrator and legal expenses, costs of any litigation or investigation involving their activities, costs associated with reporting and providing information to existing and prospective investors and the costs of liability insurance.

The Investment Manager's Role with Respect to TFG Asset Management

The investment manager's responsibilities with respect to Tetragon include, *inter alia*:

- investing and reinvesting the assets of Tetragon in securities, derivatives and other financial instruments and other investments of whatever nature and committing the assets of Tetragon in relation to agreements with entities, issuers and counterparties;
- holding cash balances or investing them directly in any short-term investments, and reinvesting any income earned thereon in accordance Tetragon's investment strategy;
- purchasing, holding, selling, transferring, exchanging, mortgaging, pledging, hypothecating and otherwise acting to acquire and dispose of and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to investments held or owned by Tetragon, with the objective of the preservation, protection and increase in value thereof;
- exercising any voting or similar rights attaching to investments purchased on behalf of Tetragon;
- borrowing or raising monies from time to time without limit as to amount or manner and time of repayment;
- engaging consultants, attorneys, independent accountants or such other persons as the investment manager may deem necessary or advisable; and
- entering into any other contracts or agreements in connection with any of the foregoing activities.

TFG Asset Management is an investment of Tetragon, and, as such, the investment manager is responsible for exercising any of Tetragon's voting or similar rights with respect to TFG Asset Management as an investment and is responsible for the management, oversight and/or supervision of such investment. As with any other category of investments, the investment manager is also responsible for decisions with respect to acquisitions of asset management businesses to be added to TFG Asset Management using Tetragon's cash (which may include minority interests in asset management businesses, joint ventures or other similar arrangements) – as investment decisions with respect to Tetragon's cash or other assets. Following the acquisition of an asset management business, that business then becomes a part of TFG

The investment manager (continued)

Asset Management and TFG Asset Management is responsible for the management, oversight and/or supervision of such business, including amendments to or modifications of the terms or arrangements of its ownership of such business (except, where relevant, to the extent of decisions with respect to Tetragon's cash), and any decision to sell or otherwise dispose of all or any portion of such business.

TFG Asset Management seeks to generate income and value from its asset management businesses by having these businesses manage third-party investor capital. TFG Asset Management has an internal management team that is responsible for the TFG Asset Management business as a whole, including the management, oversight and/or supervision of its various asset management businesses as they form and grow the funds and vehicles that they manage, and is responsible for its own costs.

Tetragon may invest in the various funds and other vehicles managed by a TFG Asset Management business. It may also provide financial support to any fund managed by a TFG Asset Management business (such as a "seeding" arrangement), or provide equity, loans or other financial support to TFG Asset Management or its asset management businesses. The investment manager is responsible for any decision to invest cash into any fund or other vehicle managed by a TFG Asset Management business and is also responsible for decisions regarding financial support for TFG Asset Management.

In connection with the management, oversight and/or supervision of asset management businesses within TFG Asset Management, TFG Asset Management (rather than the investment manager) is responsible for, *inter alia*, business development, marketing, legal and compliance, risk management and governance, as well as guidance on business issues faced by a new fund or vehicle and the strategic direction of such businesses. As such, TFG Asset Management is responsible for any restructuring or reorganisation of these asset management businesses from time to time (to the extent that such arrangements do not involve the acquisition of asset management businesses using Tetragon's cash), any disputes or litigation with respect to the ownership arrangements of such businesses and any decision to sell or otherwise dispose of all or any portion of such businesses.

Services Agreement between the Investment Manager and Certain Subsidiaries of TFG Asset Management

The investment manager has, since its inception, relied on two Polygon entities[1] for a broad range of services to support its activities.[2]

Following Tetragon's 28 October 2012 acquisition of Polygon Management L.P., these entities have been part of TFG Asset Management. The services provided to the investment manager under a Services Agreement by TFG Asset Management, through these entities, include infrastructure services such as operations, financial control, trading, marketing and investor relations, legal, compliance, office administration, payroll and employee benefits. One of those entities, Polygon Global Partners LLP, which is authorised and regulated by the United Kingdom Financial Conduct Authority, also provides services relating to the dealing in and management of investments, arrangement of deals and advising on investments.

Cost Recovery by TFG Asset Management for Services Provided to Tetragon's Investment Manager

TFG Asset Management, through its Polygon subsidiaries, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to the investment manager, in a consistent, fair, transparent and commercially based manner.[3]

TFG Asset Management then charges fees to the investment manager for the services allocated to the investment manager on a cost-recovery basis designed to achieve full recovery of the allocated costs. In 2019 the total amount recharged to the investment manager was $19.4 million.

Most of the costs related to these services are directly or indirectly attributable to personnel or "human

(1) These Polygon entities also provide infrastructure services to LCM, infrastructure and investment management services to Hawke's Point, the TCI General Partner and Banyan Square Partners, and oversight services with respect to Equitix.

(2) Polygon Private Investment Partners LP, an investment management entity in which Reade Griffith and Paddy Dear have an interest and that was not included in Tetragon's 28 October 2012 acquisition of Polygon Management L.P., also continues to rely on TFG Asset Management for certain services to support its activities. TFG Asset Management employs a cost allocation and recovery methodology from Polygon Private Investment Partners LP that is the same as the cost allocation and recovery methodology applied to the investment manager.

(3) This cost allocation methodology also applies to the other TFG Asset Management businesses to which the Polygon entities provide services.

capital", with compensation typically being the largest single cost.[4]

Consequently, one of the most critical cost allocations relates to professionals' time, which is commonly expressed as Full Time Equivalents or "FTEs". On a monthly basis, each TFG Asset Management employee[5], directly or via their team head, provides a breakdown of the approximate percentage of time spent supporting the various businesses for the previous month (this excludes certain functions such as office management and technology that are charged to business users on a standard basis (e.g., space used or global headcount) which removes any need on the part of those teams to allocate their FTEs to business lines). TFG Asset Management employees should not be incentivised to either over- or under-allocate to any business, as their time allocation is not a consideration in the determination of their overall compensation. Once allocated percentages are determined and agreed, an FTE is derived, subject to adjustments for items determined by contractual arrangements. Personnel costs (excluding bonuses) of each function are calculated using a standard costing methodology, which includes a standard add-on for employment taxes and standard employee benefits. Bonuses are charged to each business line (including the investment manager) based on the FTE allocation described above.

In addition to FTE costs, there are a number of other costs that reflect the use of resources by TFG Asset Management personnel on behalf of the investment manager (in addition to the other TFG Asset Management businesses), including real property costs, technology, travel and entertainment and market data. A standard cost methodology is used to allocate these costs across the various business lines that are supported, including the investment manager. The setting of standard costs is designed to reflect what those costs would be on an arm's-length basis. The methodology is designed to create consistency in order to provide a fair allocation of resource costs to all businesses.

Employee FTE data is collated and used to process monthly cost allocations. Such allocations are invoiced monthly to users of the TFG Asset Management platform that are not owned by TFG Asset Management, including the investment manager, or allocated within the TFG Asset Management general ledger for businesses owned by TFG Asset Management.

TFG Asset Management's cost allocation methodology is documented and updated annually by TFG Asset Management's finance team in consultation with its legal and compliance teams and is approved each year by TFG Asset Management's executive committee.

TFG Asset Management's auditors, reporting directly to Tetragon's Audit Committee, are currently engaged to periodically test that the costs allocated to (and therefore recovered from) the investment manager have been properly calculated in accordance with the approved cost-allocation methodology. Tetragon's Board of Directors has adopted procedures for related-party transactions that require approval of a majority of disinterested Directors. Accordingly, Tetragon's Independent Directors are required to approve the methodology for allocating costs and in their sole discretion the application of that methodology as part of their oversight processes. The annual cost allocation methodology update and the actual annual cost allocations that result based on these cost methodology policies and procedures are separately approved by the Independent Directors.

(4) Employee compensation will also include TFG Asset Management's long-term incentive plan and its other equity-based awards.

(5) Amounts paid by TFG Asset Management to Messrs. Griffith and Dear in connection with services provided by them to TFG Asset Management are not allocated to the investment manager.

Tetragon Financial Group Limited
Directors' Report for the Year Ended 31 December 2019

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2019.

The Fund and its Investment Objective

Tetragon Financial Group Limited ("Tetragon" or the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of Tetragon are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). Tetragon continues to be registered and domiciled in Guernsey, and Tetragon's non-voting shares are listed on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (ticker symbol: TFG.NA) and traded on the Specialist Fund Segment of the London Stock Exchange plc (ticker symbols: TFG.LN and TFGS.LN). Tetragon has historically invested all its capital through Tetragon Financial Group Master Fund Limited (the "Master Fund"). Effective 31 December 2018, Tetragon and the Master Fund were amalgamated, with the amalgamated company continuing as Tetragon Financial Group Limited. The registered office of Tetragon is Mill Court, La Charroterie, St. Peter Port, Guernsey, GY1 1EJ, Channel Islands.

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

As at 31 December 2019, TFG Asset Management's investments consisted of LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners and Banyan Square Partners.

TFG Asset Management LP and Tetragon Financial Management LP (the "Investment Manager"), are both registered as investment advisers under the U.S. Investment Advisers Act of 1940, and two of TFG Asset Management LP's investment management entities, Polygon Global Partners LLP and Equitix Investment Management Limited, are authorised and regulated by the United Kingdom Financial Conduct Authority.

Results, Activities and Future Developments

The results of operations are set out on page 3 of the 2019 Audited Financial Statements. A detailed review of activities and future developments is contained in the Annual Report issued with these financial statements to the shareholders of Tetragon.

Directors

The Directors who held office during the year were:

Paddy Dear
Reade Griffith
Deron Haley*
Steven Hart*
David O'Leary*

* Independent Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Each Director's annual fee is $125,000 (2018: $125,000) as compensation for service on the Board of Directors of the Fund and is paid in quarterly instalments by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a Director's fee.

The Directors have the option to elect to receive shares in the Fund instead of their quarterly Director's fee. During the year, David O'Leary received 3,752 shares (2018: Nil).

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the award, as determined by the share price on grant date of $12.25 per share, is $300,000 for each Independent Director.

The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Fund providing for benefits upon termination of employment.

Dividends

The Directors have the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the Voting Shareholder of the Fund and adherence to applicable law including the satisfaction of a solvency test as stated under the Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Fund's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Fund, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Fund's investments and financial position to other investment opportunities.

The Directors declared the following dividends during the year:

Dividend period	Dividend per share
Quarter ended 31 December 2018	$0.1825
Quarter ended 31 March 2019	$0.1825
Quarter ended 30 June 2019	$0.1850
Quarter ended 30 September 2019	$0.1850

On 25 February 2020, the Directors declared a dividend amounting to $0.1875 per share for the quarter ended 31 December 2019. The total dividend declared for the year ended 31 December 2019 amounted to $0.7400 per share (2018: $0.7200 per share).

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008, requires the Directors to prepare financial statements for each financial year. Accordingly, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for the relevant financial period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Directors' Report (continued)

The Directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website, and for the preparation and dissemination of the financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Fund is required to comply with all provisions of Guernsey Company Law relating to corporate governance to the extent the same are applicable and relevant to its activities. In particular, each Director must seek to act in accordance with the "Code of Practice – Company Directors". The Fund reports against the Association of Investment Companies ("AIC") Corporate Governance Guide for Investment Companies and, as such, is deemed to meet the provisions of the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

The financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position, results and cash flows of the Fund as required by the Disclosure Guidance and Transparency Rules ("DTR") 4.1.12R and by the Section 5.25c of the Financial Supervision Act of the Netherlands and are in compliance with the requirements set out in the Companies (Guernsey) Law, 2008 as amended.

The annual report gives a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R of the Disclosure Guidance and Transparency Rules and the Financial Supervision Act of the Netherlands, which respectively require, *inter alia*, (i) an indication of important events that have occurred since the end of the financial year and the likely future development of the Fund and (ii) a description of principal risks and uncertainties during the year.

The Directors confirm that they have complied with the above requirements.

Disclosure of information to the auditor

So far as each of the Directors is aware, there is no relevant audit information of which the Fund's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

Auditor

KPMG Channel Islands Limited is the appointed independent auditor of the Fund and it has expressed their willingness to continue in office. A resolution for the re-appointment of KPMG Channel Islands Limited as auditor of the Fund is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

David O'Leary
Director

Steven Hart
Director

Date: 25 February 2020

Directors' Statements

The Directors of Tetragon confirm that (i) this Annual Report constitutes the Tetragon management review for the year ended 31 December 2019 and contains a fair review of that period and (ii) the 2019 audited financial statements accompanying this Annual Report for Tetragon have been prepared in accordance with applicable laws and in accordance with IFRS as adopted by the European Union.

The AIC Code of Corporate Governance

In September 2016, Tetragon became a member of The Association of Investment Companies (AIC), the trade body for closed-ended investment companies. Founded in 1932, the AIC represents approximately 400 members across a broad range of closed-ended investment companies, incorporating investment trusts and other closed-ended investment companies. Tetragon is classified by the AIC in its Flexible Investment sector as a company whose policy allows it to invest in a range of asset types. The AIC has indicated that the sector may assist investors and advisers to more easily find and compare those investment companies which have the ability to invest in a range of assets and allow investors to compare investment companies with similar open-ended funds.

The AIC has a Code of Corporate Governance (AIC Code) which sets out a framework of best practice in respect of the governance of investment companies. The 2019 AIC Code applies to accounting periods beginning on or after 1 January 2019. The 2019 AIC Code has been endorsed by, amongst others, the Financial Reporting Council and the Guernsey Financial Services Commission (GFSC). This means that Tetragon, as an AIC member company, may make a statement that by reporting against the AIC Code, it is meeting its applicable obligations under the United Kingdom Corporate Governance Code 2018 (UK Code), the GFSC Finance Sector Code of Corporate Governance 2016 and any associated disclosure requirements under paragraph 9.8.6 of the Listing Rules. The Board of Directors of Tetragon considers that reporting against the principles and provisions of the 2019 AIC Code will provide better information to shareholders. Tetragon's reporting against the principles and provisions of the 2019 AIC Code is also set out on Tetragon's website at www.tetragoninv.com/site-services/aic/aic-code.

The 2019 AIC Code Principles and Provisions

Board leadership and purpose

Principles

A. A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. *(Incorporates relevant content from UK Code Principle A)*

B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. *(UK Code Principle B)*

C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. *(UK Code Principle C)*

D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. *(UK Code Principle D)*

Provisions

1. The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy. For an investment company, the annual report should also include the company's investment objective and investment policy. *(Incorporates relevant content from UK Code Provision 1)*

   Tetragon Compliance Statement

   Tetragon's investment objective is to generate distributable income and capital appreciation. Tetragon's investment strategy to achieve that investment objective is stated in this Annual Report (page 17) and on its website (under the heading Investment Strategy).

   The Board of Directors does not hold separate strategy meetings, but overall strategy is discussed in detail at quarterly meetings of the Board of Directors and at ad hoc *board meetings when required. Directors also have the opportunity to discuss these and any other matters with the investment manager outside of meetings of the Board of Directors as appropriate.*

The AIC Code of Corporate Governance (continued)

The investment manager provides a detailed investment report to the Board of Directors at quarterly board meetings across all key investment matrices including performance and allocation. The investment manager also provides a risk management update to the Board of Directors at quarterly meetings. Industry issues are raised and discussed.

2. The board should assess and monitor its own culture, including its policies, practices and behaviour to ensure it is aligned with the company's purpose, values and strategy. *(Incorporates relevant content from UK Code Provision 2)*

   Tetragon Compliance Statement

   The Board of Directors is made up of a broad range of professionally qualified or industry experienced personnel with relevant and suitable academic and professional backgrounds including a majority being Independent Directors. The Board of Directors believes this is an appropriate balance of skills, experience and knowledge that is relevant to Tetragon's activities.

3. In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the company's investment objective and investment policy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders. *(Incorporates relevant content from UK Code Provision 3)*

   Tetragon Compliance Statement

   The investment manager has been delegated responsibility for monitoring the shareholder profile of Tetragon and has in place a system for canvassing shareholder views and communicating views to the shareholders. The investment manager holds regular investor calls and an annual investor day. The investment manager provides the Board of Directors with comprehensive shareholder reports and corporate broker updates and analysis at meetings of the Board of Directors.

   All major corporate communications are reviewed and approved by the Board of Directors.

4. When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed. *(UK Code Provision 4)*

   Tetragon Compliance Statement

   Tetragon has 10 voting shares in issue, which were issued at par and are owned by Polygon Credit Holdings II Limited (the Voting Shareholder). The Voting Shareholder is a non-U.S. affiliate of Tetragon's investment manager.

   Tetragon's voting shares are the only shares of Tetragon entitled to vote for the election of Tetragon's board of directors and on all other matters, subject to the limited rights of the ordinary shares as described in Tetragon's Memorandum and Articles of Incorporation.

   Should the Voting Shareholder vote against a resolution proposed by the Board of Directors, the Board of Directors would engage with the Voting Shareholder to understand any concerns it may have.

5. The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the United Kingdom's Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective. *(Incorporates relevant content from UK Code Provision 5)*

   Tetragon Compliance Statement

   The Board of Directors have considered the matters set out in section 172 of the United Kingdom's Companies Act 2006 insofar as Guernsey law requires consideration of the same. Tetragon has delegated the monitoring of and engagement with Tetragon's key stakeholders to the investment manager. The investment manager engages regularly with key stakeholders by means of investor calls and on annual investor day. The investment manager provides comprehensive reports and updates on these matters at meetings of the Board of Directors.

The AIC Code of Corporate Governance (continued)

6. The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement. *(UK Code Provision 7)*

   Tetragon Compliance Statement

   Tetragon's Articles of Incorporation require the members of the Board of Directors to disclose any conflicts of interest that they may have in relation to the company or a transaction upon becoming aware of such a conflict of interest. A member of the Board of Directors is not entitled to vote on a matter relating to a transaction, attend the relevant Board of Directors meeting, count in the quorum for any such meeting, sign any transactional document on behalf of Tetragon and do any other thing in his capacity as a director in relation to a transaction that they may be interested unless they have disclosed the nature and extent of their interest.

7. Where directors have concerns about the operation of the board or the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns. *(Incorporates relevant content from UK Code Provision 8)*

   Tetragon's Compliance Statement

   The minutes of meetings of the Board of Directors of Tetragon record a summary of any concerns raised by members of the Board of Directors about the operation of the Board of Directors that cannot be resolved. To date, no written statement of concern has been provided by any retiring member of the Board of Directors.

Divisions of responsibilities

Principles

F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information. *(UK Code Principle F)*

G. The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making. *(Incorporates relevant content from UK Code Principle G)*

H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account. *(Incorporates relevant content from UK Code Principle H)*

I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. *(UK Code Principle I)*

Provisions

8. The responsibilities of the chair, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors. *(Incorporates relevant content from UK Code Provision 14)*

   Tetragon's Compliance Statement

   The responsibilities of the members of the Board of Directors and Audit Committee are set out in the Corporate Governance section of the Tetragon website. Details of the number of meetings of the Board of Directors and Audit Committee is set out in Tetragon's Compliance Statement for Provision 1. Tetragon has not appointed a senior independent director (see Provision 14 for additional information).

9. When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. *(Incorporates relevant content from UK Code Provision 15)*

Tetragon's Compliance Statement

Each Director is appointed annually by the Voting Shareholder in accordance with the process disclosed on Tetragon's website and on page 37 of this Annual Report.

10. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. The majority of the board should be independent of the manager. There should be a clear division of responsibilities between the board and the manager. *(Incorporates relevant content from UK Code Provision 11)*

    Tetragon's Compliance Statement

    Tetragon's Articles of Incorporation require not less than a majority of the Directors to be Independent Directors. Currently more than a majority of the Board of Directors (three out of five) are Independent Directors. A member of the Board of Directors will be an "Independent Director" if the Board of Directors determines that the person satisfies the standards for independence contained in the UK Code in all material respects. The Board of Directors has undertaken an evaluation of the independence of each of the three Independent Directors.

    The Board of Directors has delegated to the investment manager certain functions, including broad discretion to adopt an investment strategy and key operational issues. However, certain matters are specifically reserved for the Board of Directors under Tetragon's Articles of Incorporation.

11. The chair should be independent on appointment when assessed against the circumstances set out in Provision 13. *(Incorporates relevant content from UK Code Provision 9)*

    Tetragon's Compliance Statement

    Tetragon has not appointed a permanent Chairman, but a chairman is elected for each meeting of the Board of Directors. An experienced Independent Director typically performs the role of chairman. All Directors have the opportunity to declare conflicts of interest at each meeting of the Board of Directors; such conflicts or potential conflicts are recorded in the relevant board minutes.

12. On appointment, and throughout the chair's tenure, the chair should have no relationships that may create a conflict of interest between the chair's interest and those of shareholders, including:

    - being an employee of the manager or an ex-employee who has left the employment of the manager within the last five years;
    - being a professional adviser who has provided services to the manager or the board within the last three years; or
    - serving on any other boards of an investment company managed by the same manager.

    Tetragon's Compliance Statement

    As noted above, Tetragon has not appointed a permanent Chairman. Instead a chairman is elected for each meeting of the Board of Directors. All members of the Board of Directors have the opportunity to declare any conflicts of interest that they may have at each meeting of the Board of Directors and the chairman is elected accordingly taking into account Provision 12.

13. The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:

    - has, or has had within the last three years, a material business relationship with the company or the manager, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company or the manager;
    - has received or receives additional remuneration from the company apart from a directors' fee;
    - has close family ties with any of the company's advisers, directors or the manager;
    - holds cross-directorships or has significant links with other directors through involvement in other companies or bodies. Directors who sit on the boards of more than one company managed by the same manager are entitled to

serve as directors; however, they will not be regarded as independent for the purposes of fulfilling the requirement that there must be an independent majority;

- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided. *(Incorporates relevant content from UK Code Provision 10)*

<u>Tetragon's Compliance Statement</u>

The Independent Directors have been identified on page 35 of this Annual Report (see Provision 10 for additional information).

14. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary. *(UK Code Provision 12)*

<u>Tetragon's Compliance Statement</u>

Tetragon has not appointed a senior independent director. The Board of Directors evaluates Tetragon's and its own performance by means of open discussion at meetings of the Board of Directors or as otherwise required. The absence of a permanent chairman means that there is no need for the Independent Directors to meet separately to evaluate the chairman's performance.

15. The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, attribution analysis, marketing/investor relations, peer group information and industry issues.

<u>Tetragon's Compliance Statement</u>

The Board of Directors meets regularly to review and discuss the reports of the investment manager and to deal with any other corporate governance matters that may arise from time to time. The Board of Directors discussions include, as appropriate and necessary, those matters referenced by Provision 15.

16. The board should explain in the annual report the areas of decision making reserved for the board and those over which the manager has discretion. Disclosure should include:

- a discussion of the manager's overall performance, for example, investment performance, portfolio risk, operational issues such as compliance etc.;
- the manager's remit regarding stewardship, for example voting and shareholder engagement, and environmental, social and corporate governance issues in respect of holdings in the company's portfolio.

The board should also agree policies with the manager covering key operational issues.

<u>Tetragon's Compliance Statement</u>

Tetragon has delegated management of Tetragon's investment portfolio, determination of Tetragon's investment strategy, approval of all significant investments by Tetragon, oversight of Tetragon's risk monitoring, responsibility for portfolio risk management and oversight of key non-investment and risk activities to the investment manager.

Those roles and responsibilities not delegated to the investment manager are retained by the Board of Directors, along with general oversight of the activities of the investment manager. The Board of Directors oversees the performance by the investment manager of its duties through regular consideration of reports and presentations from the investment manager at quarterly meetings.

Tetragon's administrator, TMF Group Fund Administration (Guernsey) Limited, circulates ad hoc *updates from Tetragon's regulator, the GFSC, and TMF's compliance function monitors performance within the relevant Guernsey laws and GFSC rules and advises the Board of Directors of any issues or likely issues (generally on a quarterly basis).*

Full details of the role and responsibilities of the Board, the investment manager, the administrator and other relevant service providers are detailed on Tetragon's website.

17. Non-executive directors should review at least annually the contractual relationships with, and scrutinise and hold to account the performance of, the manager.

    Either the whole board or a management engagement committee consisting solely of directors independent of the manager (or executives) should perform this review at least annually with its decisions and rationale described in the annual report. If the whole board carries out this review, it should explain in the annual report why it has done so rather than establish a separate management engagement committee.

    The company chair may be a member of, and may chair, the management engagement committee, provided that they are independent of the manager. *(Incorporates relevant content from UK Code Provision 13)*

    Tetragon's Compliance Statement

    The Board of Directors has not deemed it necessary to appoint a separate management engagement committee. The Independent Directors undertake such functions as necessary on an ongoing basis.

18. The board should monitor and evaluate other service providers (such as the company secretary, custodian, depositary, registrar and broker).

    The board should establish procedures by which other service providers, should report back and the methods by which these providers are monitored and evaluated.

    Tetragon's Compliance Statement

    Tetragon has delegated the monitoring and evaluation of its service providers to the investment manager. The investment manager raises relevant issues with the Board of Directors as appropriate.

19. All directors should have access to the advice of the company secretary, who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board. *(UK Code Provision 16)*

    Tetragon's Compliance Statement

    The investment manager makes recommendations to the Board of Directors in relation to relevant governance matters. These recommendations are considered by the Board of Directors during the course of regular meetings.

20. The directors should have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities properly.

    Tetragon's Compliance Statement

    All Directors have access to independent professional advice to enable them to properly discharge their responsibilities.

21. Where a new company has been created by the manager, sponsor or other third party, the chair and the board should be selected and bought into the process of structuring a new launch at an early stage.

    Tetragon's Compliance Statement

    Tetragon was established in 2005. Accordingly, this Provision is not applicable to Tetragon.

Composition, succession and evaluation

Principles

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. *(Incorporates relevant content from UK Code Principle J)*

K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed. *(UK Code Principle K)*

The AIC Code of Corporate Governance (continued)

L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. *(UK Code Principle L)*

Provisions

22. The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to the board and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. If the board has decided that the entire board should fulfil the role of the nomination committee, it will need to explain why it has done so in the annual report. The chair of the board should not chair the committee when it is dealing with the appointment of their successor. *(Incorporates relevant content from UK Code Provision 17)*

    Tetragon's Compliance Statement

    The Board of Directors has not deemed it necessary to appoint a nomination committee and undertakes any such functions collectively or it is undertaken by the Voting Shareholder.

23. All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success. *(UK Code Provision 18)*

    Tetragon's Compliance Statement

    Directors are submitted for re-election by the Voting Shareholder at the Annual General Meeting and the procedures for re-election are disclosed in Tetragon's Annual Report and on the Tetragon website.

24. Each board should determine and disclose a policy on the tenure of the chair. A clear rationale for the expected tenure should be provided, and the policy should explain how this is consistent with the need for regular refreshment and diversity. *(Incorporates relevant content from UK Code Provision 19)*

    Tetragon's Compliance Statement

    Tetragon does not operate a maximum threshold for tenure, nor any guaranteed tenure. As such, the Board of Directors has not deemed it necessary to prepare such a policy.

25. Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. *(UK Code Provision 20)*

    Tetragon's Compliance Statement

    All vacancies on the Board of Directors may be filled, and additional members may be appointed, by resolution of the Voting Shareholder.

26. There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors. *(UK Code Provision 21)*

    Tetragon's Compliance Statement

    The Board of Directors evaluates its own performance and effectiveness, including of individual members of the Board of Directors and committees, by open discussion in Board of Directors meetings.

27. The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified. *(UK Code Provision 22)*

    Tetragon's Compliance Statement

    All members of the Board of Directors engage in the evaluation process and take appropriate action when developmental needs have been identified.

28. The annual report should describe the work of the nomination committee, (including where the whole board is acting as the nomination committee) including:

- the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
- how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition; and
- the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives. *(Incorporates relevant content from UK Code Provision 23)*

Tetragon's Compliance Statement

As noted in relation to Provision 22, the Board of Directors has not deemed it necessary to appoint a nomination committee. The Board of Directors are collectively responsible for ensuring that the provisions of Tetragon's Articles of Incorporation and of the relevant legislation, regulations and policies are followed in relation to the appointment and evaluation of the Directors.

Audit, risk and internal control

Principles

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements. *(Incorporates relevant content from UK Code Principle M)*

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects. *(UK Code Principle N)*

O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. *(UK Code Principle O)*

Provisions

29. The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies two. The chair of the board should not chair the committee but can be a member if they were independent on appointment. If the chair of the board is a member of the audit committee, the board should explain in the annual report why it believes this is appropriate. The board should satisfy itself that at least one member has recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector in which the company operates. *(Incorporates relevant content from UK Code Provision 24)*

Tetragon's Compliance Statement

The Board of Directors has established an Audit Committee comprised of the three Independent Directors. The Audit Committee has recent and relevant financial experience. As noted in Provision 11, there is no permanent chairman for Tetragon. Similarly, there is no permanent chairman of the Audit Committee.

30. The main roles and responsibilities of the audit committee should include:

- monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
- providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- reviewing the company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself;

The AIC Code of Corporate Governance (continued)

- conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and
- reporting to the board on how it has discharged its responsibilities. *(Incorporates relevant content from UK Code Provision 25)*

Tetragon's Compliance Statement

The Audit Committee's remit covers those matters identified by Provision 30. More specifically, the Audit Committee is responsible for, among other items, assisting and advising the Board of Directors with matters relating to Tetragon's accounting and financial reporting processes and the integrity and audits of Tetragon's financial statements. The Audit Committee is also responsible for reviewing and making recommendations with respect to the plans and results of each audit engagement with Tetragon's independent auditor, the audit and non-audit fees charged by the independent auditor and the adequacy of internal accounting controls.

31. The annual report should describe the work of the audit committee including:

- the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed;
- an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- in the case of a board not accepting the audit committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); and
- an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services. *(Incorporates relevant content from UK Code Provision 26)*

Tetragon's Compliance Statement

The Audit Committee's Statement can be found on page 39 of this Annual Report.

32. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy. *(UK Code Provision 27)*

Tetragon's Compliance Statement

Please refer to the Directors' Report at page 45 of this Annual Report.

33. The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated. *(UK Code Provision 28)*

<u>*Tetragon's Compliance Statement*</u>

Tetragon has delegated the key responsibilities in relation to the assessment of Tetragon's emerging and principal risks to the investment manager. Details of these risks are set out at page 30 of this Annual Report and on its website (under the heading Risk Factors).

34. The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. *(UK Code Provision 29)*

<u>*Tetragon's Compliance Statement*</u>

Tetragon has delegated the key responsibilities in relation to the management of Tetragon's risk management and internal control systems to the investment manager. Details of the investment manager's review is included at page 40 of this Annual Report.

35. In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. *(UK Code Provision 30)*

<u>*Tetragon's Compliance Statement*</u>

The Board of Directors complies with this provision as detailed in the Directors' Report and Financial Statements at pages 45 and 91 respectively of this Annual Report.

36. Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary. *(UK Code Provision 31)*

<u>*Tetragon's Compliance Statement*</u>

The Board of Directors complies with this provision as detailed in the Directors' Report and Key Performance Metrics at pages 45 and 19 respectively of this Annual Report.

<u>Remuneration</u>

Principles

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. *(Incorporates relevant content from UK Code Principle P)*

Q. A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome. *(Incorporates relevant content from UK Code Principle Q)*

R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. *(UK Code Principle R)*

Provisions

37. The board should establish a remuneration committee of independent non-executive directors with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the board should satisfy itself that the appointee has relevant experience and understanding of the company. If the board has decided that the entire board should fulfil the role of the remuneration committee, it will need to explain why it has done so in the annual report. *(Incorporates relevant content from UK Code Provision 32)*

<u>*Tetragon's Compliance Statement*</u>

The Board of Directors has not deemed it necessary to establish a remuneration committee. To the extent necessary the members of the Board of Directors collectively fulfill the role of a remuneration committee.

The AIC Code of Corporate Governance (continued)

38. The remuneration committee should have delegated responsibility for determining the policy and setting the remuneration for the chair. *(Incorporates relevant content from UK Code Provision 33)*

    Tetragon's Compliance Statement

    See above in relation to Provision 37.

39. The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements. Provision should be made for additional directors' fees where directors are involved in duties beyond those normally expected as part of the director's appointment. In such instances the board should provide details of the events, duties and responsibilities that gave rise to any additional directors' fees in the annual report. *(Incorporates relevant content from UK Code Provision 34)*

    Tetragon's Compliance Statement

    The remuneration of Tetragon's Independent Directors has been determined by the Board of Directors. The remuneration of the Independent Directors reflects a number of factors, including the time commitment and responsibilities of the role. The remuneration currently includes restricted Tetragon share grants.

40. Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties. *(Incorporates relevant content from UK Code Provision 35)*

    Tetragon's Compliance Statement

    Tetragon has not appointed a remuneration consultant.

41. The main role and responsibilities of the remuneration committee should include:

    - in conjunction with the chair, setting the directors' remuneration levels; and
    - considering the need to appoint external remuneration consultants.

    Tetragon's Compliance Statement

    See above in relation to Provision 37.

42. There should be a description of the work of the remuneration committee in the annual report. *(Incorporates relevant content from UK Code Provision 41)*

    Tetragon's Compliance Statement

    See above in relation to Provision 37.

Additional Information

Dividends and other distributions

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

Dividends:

Tetragon continues to pursue a progressive dividend policy with a target payout ratio of 30-50% of normalised earnings, based on the long-term target RoE of 10-15%.[1]

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

The investment manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of Tetragon's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the company, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the company's investments and financial position to other investment opportunities.

Tetragon has paid, and may continue to pay, scrip dividends currently conducted through an optional dividend reinvestment program.

Share Repurchases:

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

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

Reporting

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

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

Statement Regarding Non-Mainstream Pooled Investments (NMPI)

Tetragon notes the U.K. Financial Conduct Authority (FCA) rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (referred to as "non-mainstream pooled investments"), which came into effect on 1 January 2014.

Tetragon has received appropriate legal advice that confirms that Tetragon's shares do not constitute NMPI under the FCA's rules and are, therefore, excluded from the FCA's restrictions that apply to non-mainstream pooled investment products.

Tetragon expects that it will continue to conduct its affairs in such a manner that Tetragon's shares will continue to be excluded from the FCA's rules relating to NMPI.

2019 Financial Review

Junichi Honda
Technology

2019 Financial Review

Financial Highlights

Figure 12

Tetragon Financial Group Financial Highlights Through 2017 - 2019	2019	2018	2017
Reported GAAP Net income ($MM)	$288.0	$241.5	$167.8
Fair Value Net income ($MM)	$293.5	$241.5	$171.4
Reported GAAP EPS	$3.22	$2.65	$1.86
Fair Value EPS	$3.28	$2.65	$1.90
Return on equity	13.4%	12.1%	8.9%
Net Assets ($MM)	$2,386.1	$2,189.4	$1,994.5
GAAP number of shares outstanding (MM)	92.2	92.4	90.1
NAV per share	$25.88	$23.70	$22.13
Fully diluted shares outstanding (MM)	96.4	97.4	94.6
Fully diluted NAV per share	$24.76	$22.48	$21.08
NAV per share total return	13.6%	10.3%	9.0%
DPS	$0.7400	$0.7200	$0.7000

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

- **Fair Value Net Income ($293.5 million):** Please see Figure 13 for more details and a breakdown of the Fair Value Net Income.
- **Return on Equity (13.4%):** Fair Value Net Income ($293.5 million) divided by Net Assets at the start of the year ($2,189.4 million).
- **Fully Diluted Shares Outstanding (96.4 million):** Adjusts the IFRS shares outstanding (92.2 million) for various dilutive factors (4.2 million shares). Please see Figure 27 for more details.
- **Fair Value EPS ($3.28):** Calculated as Fair Value Net Income ($293.5 million) divided by the time-weighted average IFRS or GAAP shares during the period (89.5 million).
- **Fully Diluted NAV Per Share ($24.76):** Calculated as Net Assets ($2,386.1 million) divided by Fully Diluted Shares Outstanding (96.4 million).

Pro Forma Statement of Comprehensive Income

Figure 13

Tetragon Financial Group Pro Forma Statement of Comprehensive Income 2018 - 2019		
	2019 ($millions)	**2018 ($millions)**
Net gain on financial assets at fair value through profit or loss	402.6	292.6
Net (loss) / gain on derivative financial assets and liabilities	(6.9)	30.7
Other income	6.8	7.8
Investment income	**402.5**	**331.1**
Management and incentive fees	(96.9)	(78.3)
Other operating and administrative expenses	(8.6)	(7.8)
Interest expense	(3.5)	(3.5)
Total operating expenses	**(109.0)**	**(89.6)**
Fair Value Net income	**293.5**	**241.5**

For 2019, the difference between Fair Value Net Income as shown here and IFRS profit and total comprehensive income is an adjustment to remove share-based compensation expense of $5.5 million. This adjustment is consistent with how Fair Value Net Income has been determined in prior periods.

During the period, an incentive fee of $63.4 million was expensed, of which $34.0 million remains outstanding at 31 December 2019.

Pro Forma Statement of Financial Position

Figure 14

Tetragon Financial Group Pro Forma Statement of Financial Position as at 31 December 2018 and 31 December 2019		
	2019 ($millions)	**2018 ($millions)**
ASSETS		
Investments	2,416.3	1,905.6
Derivative financial assets	11.4	3.5
Other receivables	1.0	8.0
Amounts due from brokers	47.1	35.3
Cash and cash equivalents	134.3	301.3
Total assets	**2,610.1**	**2,253.7**
LIABILITIES		
Loans and borrowings	(150.0)	(38.0)
Derivative financial liabilities	(37.2)	(6.8)
Other payables and accrued expenses	(36.8)	(19.5)
Total liabilities	**(224.0)**	**(64.3)**
NET ASSETS	**2,386.1**	**2,189.4**

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

Instead, this table looks through to the underlying investments and cash, and accounts for each separately, at fair value. This approach has the impact of increasing cash by $0.8 million (2018: $31.5 million) and decreasing investments by $0.8 million (2018: $31.5 million). This treatment is consistent with how Tetragon has reported these investments in prior periods. The net assets of $2,386.1 million are after accruing for an incentive fee of $34.0 million.

Other Information

Victoria Holmberg
Office Management

TFG Asset Management

One of Tetragon's significant investments is TFG Asset Management, a diversified alternative asset manager that owns majority and minority private equity stakes in asset management companies. TFG Asset Management, as a unified business, is intended to enhance the value of each individual investment and the entity as a whole through a shared strategic direction and operating infrastructure – encompassing critical business management functions such as risk management, investor relations, financial control, technology, and compliance/legal matters – while at the same time giving entrepreneurial independence to the managers of the underlying businesses. In light of the strategy to continue to grow TFG Asset Management with a view to a possible initial public offering and listing of its shares, the combination of a number of relatively uncorrelated businesses across different asset classes and at different stages of development under TFG Asset Management is also intended to create a collectively more robust and diversified business and income stream. As at 31 December 2019, TFG Asset Management comprised LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners and Banyan Square Partners. TFG Asset Management has approximately $27.4 billion of AUM(1) and approximately 300 employees globally (excluding BentallGreenOak). Each of the asset managers on the platform is privately held.

Figure 15

TFG Asset Management at a glance

	LCM	BentallGreenOak	POLYGON	equitix
Established	2001	2010	2002	2007
Joined Tetragon	2009	2010	2012	2015
Asset class	A bank loan asset management company.	A real-estate focused principal investing, lending and advisory firm.	A manager of open-ended hedge fund and private equity vehicles across a number of strategies.	An integrated core infrastructure asset management and primary project platform.
AUM at 31 Dec 2019 ($Bn)	$9.1	$6.3	$1.5	$7.1
Percentage Tetragon Ownership	100%	13%	100%	75%
Valuation at 31 Dec 2019 ($m)	$186.0	$190.8	$48.1	$301.1
Valuation at 31 Dec 2018 ($m)	$154.9	$208.5	$55.1	$230.9
Year-on-year change	20.1%	(8.5)%	(12.7)%	30.4%
Products	19 CLOs	Real estate investment strategies including Core, Core Plus and Value Added equity; and senior and mezzanine real estate debt	Four hedge funds	Nine funds and managed accounts
Average fund duration	10-12 years(2)	7-10 years	Quarterly liquidity	25 years
Valuation Methodology(3)	DCF and market multiples	DCF (sum-of-parts)	DCF	DCF, debt at par + accrued interest
Significant unobservable inputs(4)	Discount rate 11.5%, P/AUM multiple 2.7%; DLOL 15%	Discount rate ranges from 3.5% to 25% for different cash flows with a base discount rate of 11.25%, DLOL 15%	Discount rate 12.25%; DLOL 20%	Discount rate 9.5%; DLOL 15%

(1) Includes AUM of LCM, BentallGreenOak, Polygon, Equitix, Hawke's Point, Tetragon Credit Partners and TCICM, as calculated by the applicable fund administrators at 31 December 2019 (AUM of Tetragon Credit Partners represents committed capital). TCICM (which comprises TCI Capital Management II LLC and TCI Capital Management LLC) acts as a CLO collateral manager for certain CLO investments. It had AUM of $2.6 billion at 31 December 2019. Includes, where relevant, investments by Tetragon Financial Group Limited. The AUM for BentallGreenOak represents Tetragon's *pro rata* share (12.86%) of BentallGreenOak AUM at 31 December 2019 ($49.1 billion).

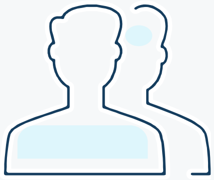
(2) Currently, LCM manages loan assets exclusively through CLOs, which are long-term, multi-year investment vehicles. The typical duration of a CLO, and thus LCM's management fee stream, depends on, among other things, the term of its reinvestment period (currently typically four to five years for a new issue CLO), the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints.

(3) DCF stands for "Discounted Cash Flow". Please see Note 5 of the 2019 Audited Financial Statements for more information.

(4) DLOL stands for "Discount for Lack Of Liquidity". Please see Note 5 of the 2019 Audited Financial Statements for more details on significant unobservable inputs.

Offices

London | New York



300

Employees

excluding BentallGreenOak

Global

Operating Platform

Figure 15 (continued)

TFG Asset Management at a glance

	HAWKE'S POINT MINING FINANCE	TETRAGON CREDIT PARTNERS	BANYAN SQUARE
Established	2014	2015	2019
Joined Tetragon	2014	2015	2019
Asset class	An asset management company focused on mining finance.	A structured credit investing business.	A private equity firm focused on non-control structured and common equity investment opportunities.
AUM at 31 Dec 2019 ($Bn)	$0.1	$0.8	$0.0
Percentage Tetragon Ownership	100%	100%	100%
Valuation at 31 Dec 2019 ($m)	$1.8	$19.7	Not applicable(5)
Valuation at 31 Dec 2018 ($m)	$1.7	$11.0	Not applicable(5)
Year-on-year change	5.9%	79.1%	Not applicable
Products	Two investments in early stage gold miners	Two private equity vehicles	One investment
Average fund duration	Not applicable	10 years	Not applicable
Valuation Methodology	Replacement cost	DCF	Not applicable(5)
Significant unobservable inputs	Replacement cost	Discount rate 11.5%; DLOL 15%	Not applicable(5)

(5) Banyan Square Partners has not yet been valued by a third-party valuation specialist.

(6) Please see Note 1 on page 66.

$27.4B

TOTAL ASSETS UNDER MANAGEMENT(6)

31 December 2019

$747.5m

TOTAL VALUATION

31 December 2019

12.9%

YEAR-ON-YEAR CHANGE

31 December 2019

TFG Asset Management Overview

Figure 16 shows the breakdown of the AUM by business and Figure 17 depicts the growth of that AUM over the last five years. AUM for TFG Asset Management as of 31 December 2019 totalled $27.4 billion.[(i)]

Figure 16[(i)]

TFG Asset Management AUM by Business at 31 December 2019 ($billions)

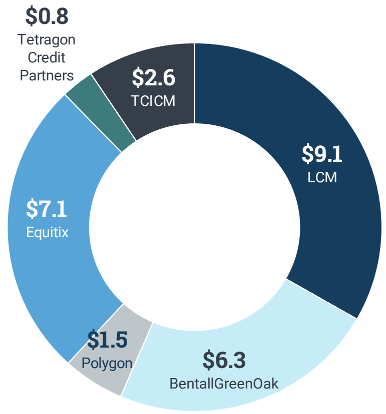


Figure 17[(i)]

TFG Asset Management AUM at 31 December 2015-2019 ($billions)

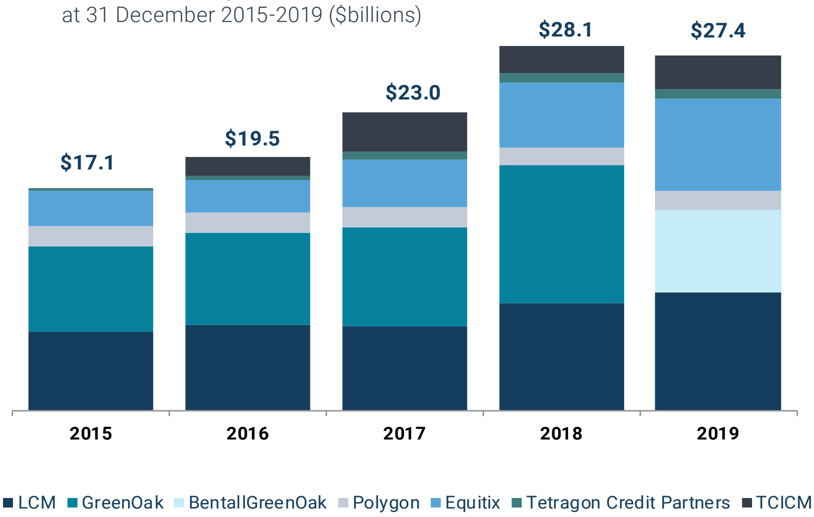


Figure 18

Tetragon Financial Group TFG Asset Management Pro Forma Statement of Operations[(ii)]			
	2019 ($millions)	2018 ($millions)	2017 ($millions)
Management fee income	111.2	85.7	74.8
Performance and success fees[(iii)]	51.8	24.0	45.8
Other fee income	15.5	13.0	12.4
Distributions from BentallGreenOak	10.8	13.2	8.4
Interest income	3.8	3.6	4.1
Total income	**193.1**	**139.5**	**145.5**
Operating, employee and administrative expenses	(124.3)	(93.9)	(83.5)
Minority interest	(9.3)	(6.3)	(7.4)
Net income - "EBITDA equivalent"	**59.5**	**39.3**	**54.6**

(i) Please see Note 1 on page 66.

(ii) This table includes the income and expenses attributable to TFG Asset Management's majority owned businesses, Polygon, LCM, Equitix, Hawke's Point and Tetragon Credit Partners during that period. Although TFG Asset Management currently has an 85% effective economic share of its business, 100% of Equitix's income and expenses are reflected above; 15% of Equitix's income and expenses are reversed out through the minority interest line, being the proportion not attributable to Tetragon. BentallGreenOak EBITDA is not included, but distributions relating to ordinary income and carried interest are included. The EBITDA equivalent is a non-GAAP measure and is designed to reflect the operating performance of the TFG Asset Management businesses rather than is or what was reflected in Tetragon's financial statements.

(iii) The performance and success fees include some realised and unrealised Polygon performance fees. These represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining NAV at the reporting date. Similar amounts, if any, from LCM are recognised when received. Tetragon pays a mix of full and preferred fees on its investments in TFG Asset Management-managed investment vehicles. Tetragon pays full management and performance fees on its investments in the open Polygon funds. Success fees also include fees earned by Equitix on successfully completing certain primary projects and delivering de-risked investments into their secondary funds; these are recognised once Equitix is entitled to recover them.

TFG Asset Management Overview (continued)

Overview: Figure 18 shows a *pro forma* statement of operations that reflects the operating performance of the majority-owned asset management companies within TFG Asset Management. The reported fee income includes some amounts which were earned on capital invested in certain funds by Tetragon. During 2019, this included $8.8 million of management fees and $10.5 million of performance and success fees. BentallGreenOak's contribution has been captured by including the distributions that it has made to Tetragon.

- **EBITDA:** In 2019, TFG Asset Management's EBITDA was $59.5 million, 51% higher from 2018. Higher management fees due to continued AUM growth and higher performance and success fees due to better performance by the funds were the driving factors for the increase.
- **Management fee income:** Management fee income continued to grow, increasing by $25.5 million or 30% year-on-year. Of note, Equitix management fee income increased by $17.3 million, or 47%, as AUM continued to grow. Tetragon Credit Partners added $2.1 million in management fees as TCI III deployed more capital. LCM also added $6.6 million as AUM was increased. Polygon was broadly unchanged, as was Hawke's Point.
- **Performance and success fees:** Unlike management fee income, performance and success fees can be quite volatile in nature and subject to timing differences. Overall, this category was up $27.8 million on the prior year. Performance fee income was up by $18.6 million for the Polygon funds as they posted a strong performance in 2019. Equitix primary income also increased by $6.7 million, triggered by an increase in the number and size of deals reaching financial close.
- **Other fee income:** This category includes three different buckets of fees: (i) income generated by Equitix on management services contracts, which is known as the EMS business (ii) third-party CLO management fee income relating to certain U.S. CLO 1.0 transactions and (iii) certain cost recoveries from Tetragon relating to seeded Polygon hedge funds. An increase in EMS fee income was behind the growth in this category of income and now accounts for 89% of this bucket.
- **Distributions from BentallGreenOak:** Distributions from BentallGreenOak reflect (i) distributions from ongoing operations and (ii) distributions from carried interest. Up to 2018, carried interest made up nearly 80% of these distributions. Following the BentallGreenOak merger, carried interest distributions are supplemented by the fixed and variable payments agreed as part of that deal. For 2019, fixed payments contributed $7.0 million with carried interest accounting for the remainder.
- **Operating expenses:** Operating expenses increased by $30.4 million year-on-year, with $9.0 million coming from Equitix as this business added headcount and continued to scale up. As expected, bonus expenses also increased in those business lines where performance fees increased significantly. Tetragon Credit Partners also saw an increase in costs reflecting an increased allocation of resource to this business line with the launch and successful raise of TCI III as well as to support new business lines. We continue to view the increase in expenses as an investment to support greater AUM in the future.

TFG Asset Management Company Overviews

The following pages provide a summary of each of TFG Asset Management's asset management companies and a review of AUM growth and underlying strategies and investment vehicles.

All data is at 31 December 2019, unless otherwise stated. Products/mandates listed are not necessarily open for new investment and are not an offer to sell or a solicitation of an offer to purchase securities in the United States or any other jurisdiction, but to illustrate the TFG Asset Management platform strategy.

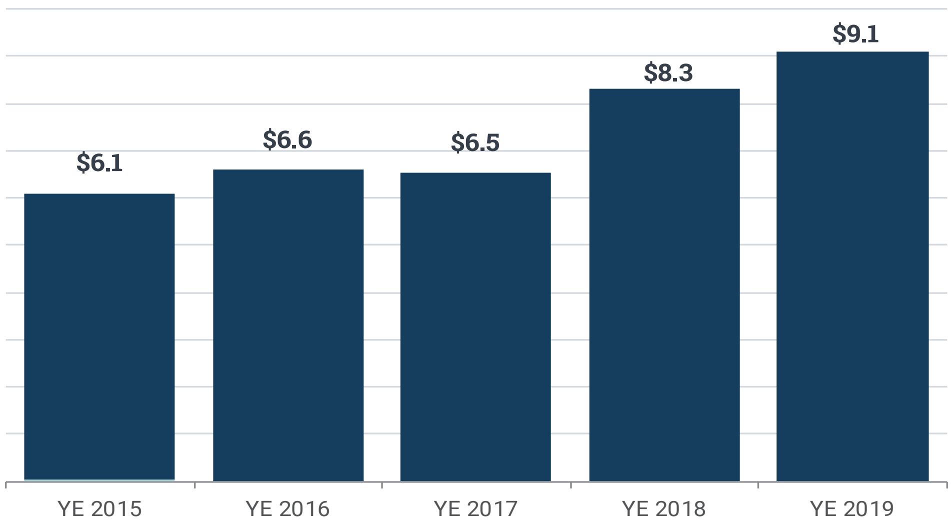
Description of Business

LCM™

- LCM is a specialist in below-investment grade U.S. broadly-syndicated leveraged loans.
- The business was established in 2001 and has offices in New York and London.
- TFG Asset Management owns 100% of LCM.
- Currently, LCM manages loan assets exclusively through CLOs, which are long-term, multi-year investment vehicles. The typical duration of a CLO, and thus LCM's management fee stream, depends on, among other things, the term of its reinvestment period (currently typically four to five years for a new issue CLO), the prepayment rate of the underlying loan assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints.
- Further information on LCM is available at www.lcmam.com.

Figure 19
LCM AUM History ($billions)

LCM's AUM was $9.1 billion at 31 December 2019.(i)



(i) Includes, where relevant, investments from Tetragon and TCI II.

Products

- LCM currently manages 19 CLOs.

TFG Asset Management Company Overviews (continued)

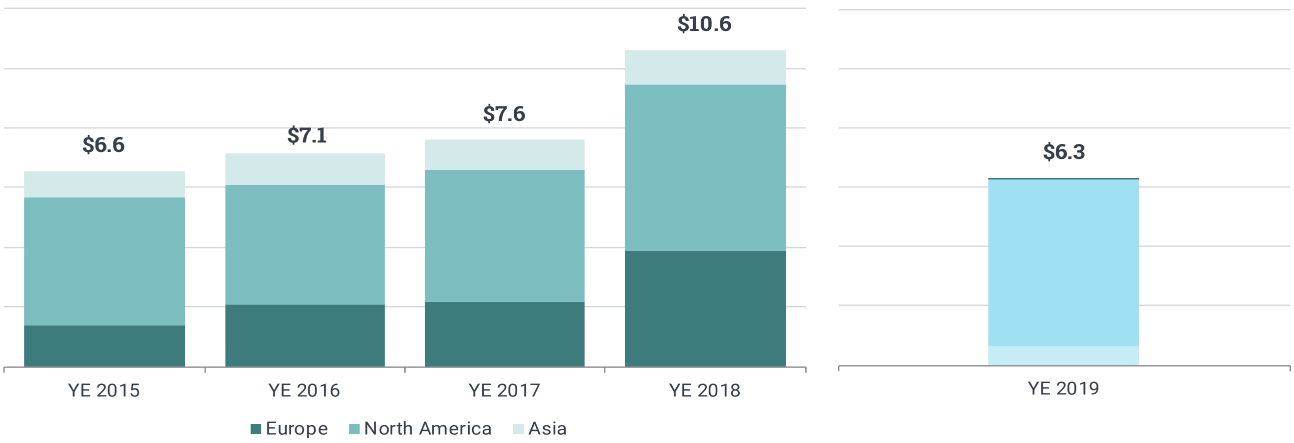
Description of Business

BentallGreenOak™

- BentallGreenOak is a real-estate focused principal investing, lending and advisory firm.
- BentallGreenOak was formed in July 2019 upon the merger of the GreenOak Real Estate joint venture with Bentall Kennedy, an affiliate of SLC Management, a global institutional asset management arm of Sun Life Financial Inc. Tetragon owns approximately 13% of the combined entity. GreenOak Real Estate was founded in 2010.
- The BentallGreenOak investment platform serves over 750 institutional clients with approximately $49.1 billion in assets under management.
- BentallGreenOak offers a broad range of complementary real estate investment strategies that include Core, Core Plus and Value Added equity investment strategies as well as senior and mezzanine real estate debt strategies.
- With investment professionals based in 22 global offices, BentallGreenOak has deep local knowledge and strong, long-standing investment track records across the United States, Canada, Europe and Asia.
- Further information on BentallGreenOak is available at www.bentallgreenoak.com.

Figure 20
BentallGreenOak AUM History(i) ($billions)

Tetragon's *pro rata* share (12.86%) of BentallGreenOak's AUM at 31 December 2019 ($49.1 billion) was $6.3 billion. The AUM data for 2015-2018 shows the historical AUM progression for the GreenOak joint venture.



(i) Includes investment funds and advisory assets managed by BentallGreenOak at 31 December 2019.

Investment Vehicles

United States - Equity
- U.S. Core Open End Fund
- U.S. Core Plus
- U.S. Value Add Series
- U.S. Separate Accounts

United States - Debt
- U.S. Mortgages

Canada - Equity
- Core Open End Fund
- Canadian Separate Accounts

Canada - Debt
- Canadian Mortgages
- Canadian High Yield

Europe - Equity
- Europe Value Add Series
- Europe Core
- Europe Core Plus

Europe - Debt
- European Secured Debt Series

Asia - Equity
- Asia Value Add Series

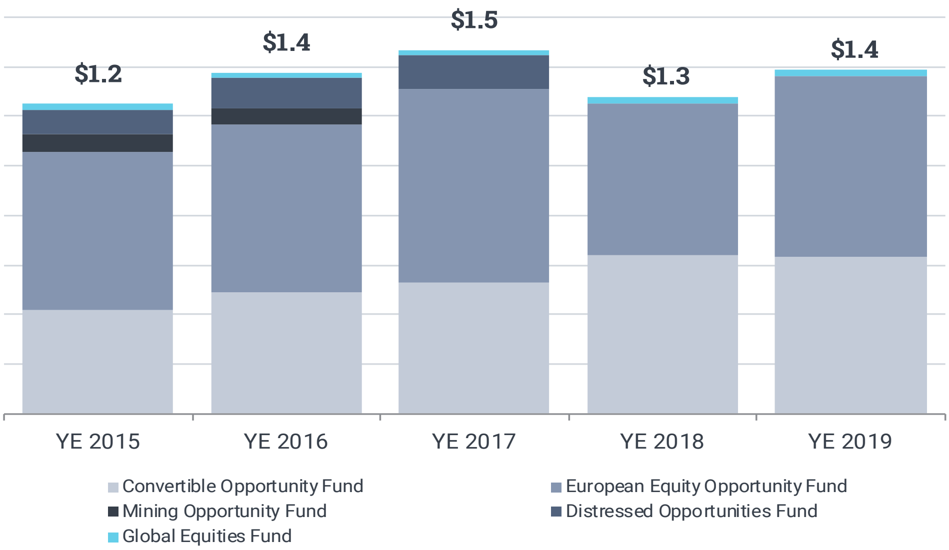
Description of Business

POLYGON™

- Polygon manages open-ended hedge fund and private equity vehicles across a number of strategies.
- Polygon was established in 2002 and has offices in New York and London.
- TFG Asset Management owns 100% of the business.
- Further information on Polygon is available at www.polygoninv.com.

Figure 21
Polygon AUM History(i) ($billions)

Polygon's AUM was $1.5 billion for all funds and $1.4 billion for open strategies at 31 December 2019.



(i) Includes AUM for Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable fund administrator at 31 December 2015, 2016, 2017, 2018 and 2019. Includes, where relevant, investments by Tetragon. The Polygon Mining Opportunity Fund was closed in the fourth quarter of 2017 and the Polygon Distressed Opportunities Fund was closed in the third quarter of 2018.

Figure 22

Polygon Funds Summary*

Fund	AUM at 31 Dec 2019 ($millions)(1)	2019 Net Performance	Annualised Net LTD Performance
Convertible Opportunity Fund(2)	632.7	6.1%	13.1%
European Equity Opportunity Fund - Absolute Return(3)	315.4	13.4%	9.2%
European Equity Opportunity Fund - Long Bias(4)	413.5	31.0%	13.2%
Global Equities Fund(5)	24.5	6.8%	12.0%
Total AUM - Open Funds	**1,386.1**		**Estimated approx. LTD multiple**
Recovery Fund(6)	72.6	not applicable	1.83x
TOTAL AUM	**1,458.7**		

**Please see the next page for important notes.*

TFG Asset Management Company Overviews (continued)

Notes - Figure 22

Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. Except as otherwise noted, all performance numbers provided herein reflect the actual net performance of the funds net of management and performance fees, as well as any commissions and direct expenses incurred by the funds, but before withholding taxes, and other indirect expenses. All returns include the reinvestment of dividends, if any. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results. Differences in the methodology used to calculate performance may also lead to different performance results than those shown. For each of the funds shown, the return and AUM figures are final values as calculated by the applicable fund administrator.

(1) The AUM noted includes investments in the relevant strategies by Tetragon, other than in respect of the Polygon Recovery Fund, where there is no such investment. The Polygon Recovery Fund, at the time of the Polygon transaction and currently, remains a closed investment strategy.

(2) The Polygon Convertible Opportunity Fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009. Class D shares of the Fund were first issued on 1 July 2018 and returns from inception through June 2018 have been *pro forma* adjusted to match the Fund's Class D share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee and other items, in each case, as set forth in the Offering Memorandum).

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

(4) The Polygon European Equity Opportunity Fund - Long Bias began trading on 1 October 2018. Returns for the managed account following the Strategy are calculated by the manager and are *pro forma* adjusted based on performance data provided by the independent administrator of a managed account advised by Polygon which is managed according to the European Long Bias Strategy, adjusted to reflect a management fee of 1.5% and a performance fee of 20% above a hurdle rate equal to 75% of the total return of the STOXX Europe 600 Index, which is the hurdle rate benchmark for the managed account following the Strategy.

(5) The Polygon Global Equities Fund began trading with Class B/B1 shares, which carry no incentive fees, on 12 September 2011. Returns shown from inception through August 2013 have been *pro forma* adjusted to account for a 2.0% management fee and a 20% incentive fee, in each case, as set forth in further definitive documents. The fund began trading Class A shares, which are not new issue eligible, on 23 September 2011. Class A1 shares of the fund, which are new issue eligible, were first issued on 1 November 2013, and returns from inception through October 2013 have been *pro forma* adjusted to match the fund's Class A1 performance.

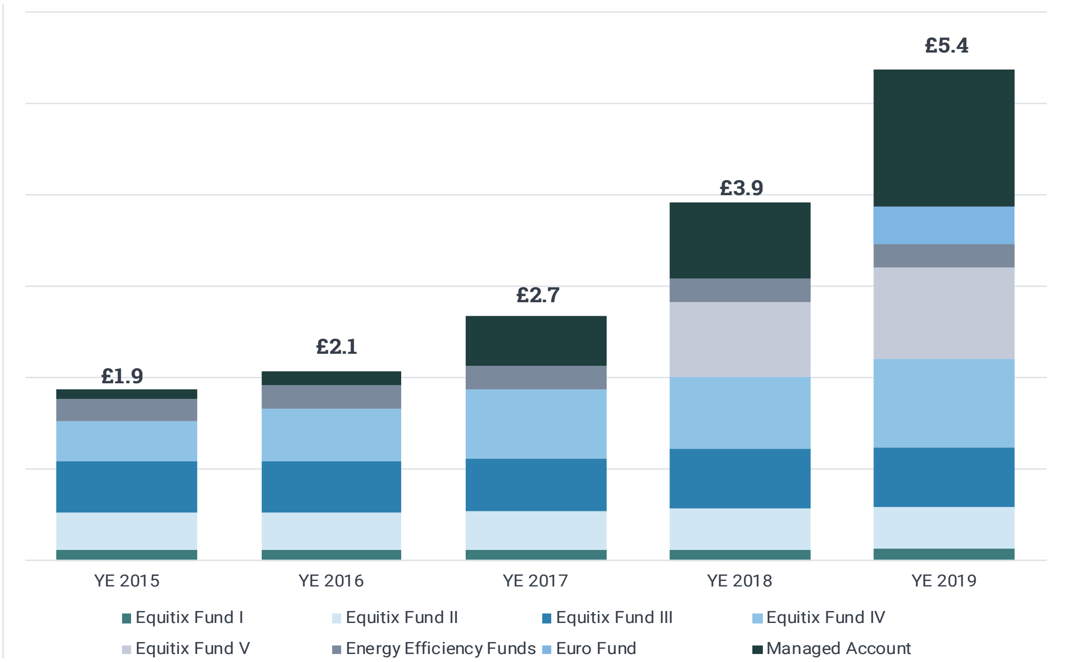
(6) The manager of the Polygon Recovery Fund L.P. is a subsidiary of Tetragon. The management fees earned in respect of the Polygon Recovery Fund are included in the TFG Asset Management business segment described herein. The Polygon Recovery Fund is a limited-life vehicle seeking to dispose of its portfolio securities prior to the expiration of its term. In October 2019, the Polygon Recovery Fund's term was extended to March 2021. Individual investor performance will vary based on their high water mark. Currently the majority of Class C share class investors have not reached their high water mark, so their performance is the same as their gross performance. The Polygon Recovery Fund's P&L for 2019 was -$2.6 million (excluding FX); FX movements accounted for -$1.1 million, and net P&L was therefore -3.7 million; P&L life-to-date (from closing date March 2011 net asset value) was $123.2 million (excluding FX); FX movements accounted for -$47.0 million, and net P&L was therefore +$76.2 million. The Polygon Recovery Fund is generally precluded from hedging FX exposure. The fund has made life to date distributions of approximately $710 million to its partners. The estimated approximate LTD multiple is based on the fund's year-end net asset value and historical distributions and other returns over an original aggregate purchase price for the fund's initial assets of approximately $459 million and excludes the effects of FX and certain assets purchased through recycled capital. The estimated approximate LTD multiple including those two items (FX and recycled capital) would be 1.69 x. Each of these multiples will be different from the multiples reflected for specific limited partners in the fund, which would be calculated with respect to relevant class of partners in accordance with the fund's limited partnership agreement.

Description of Business

- Equitix is an integrated core infrastructure asset management and primary project platform.
- Equitix was established in 2007 and is based in London.
- TFG Asset Management owns 75% of the business.
- Equitix typically invests in infrastructure projects in the United Kingdom with long-term revenue streams across the healthcare, education, social housing, highways and street lighting, offshore transmission and renewable and waste sectors.
- Further information on Equitix is available at www.equitix.co.uk.

Figure 23
Equitix AUM History (£billions)

Equitix's AUM was £5.4 billion ($7.1 billion) at 31 December 2019.(i)



(i) USD-GBP exchange rate at 31 December 2019.

Products

- Fund I
- Fund II
- Fund III
- Fund IV
- Energy Efficiency Funds
- Fund V
- Euro Fund I
- Managed accounts
- Energy Saving Investments

TFG Asset Management Company Overviews (continued)

Description of Business[i]

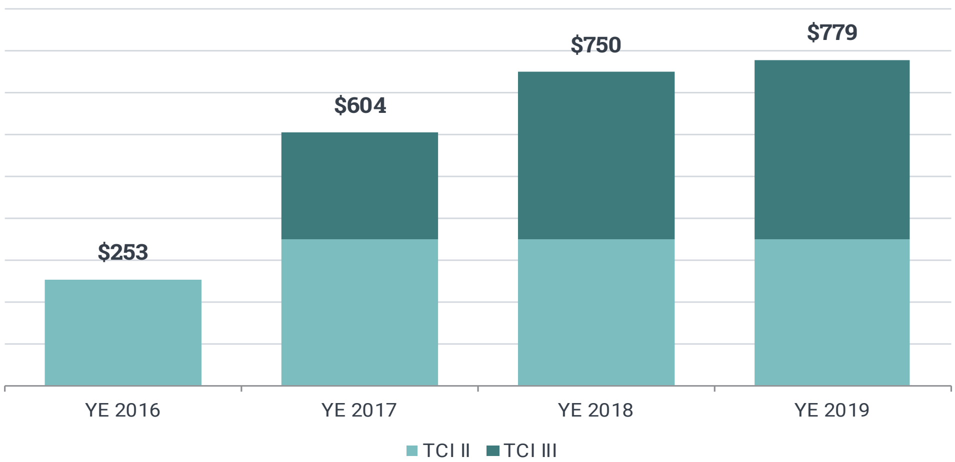
TETRAGON™ CREDIT PARTNERS

- Tetragon Credit Partners is TFG Asset Management's structured credit investing business. The business has evolved from a historic focus on primary CLO control equity to a broader series of offerings across the CLO capital structure.
- The business was originally established at the end of 2015 and is managed out of New York and London.
- Its income-focused products are currently Tetragon Credit Income II, or TCI II, and Tetragon Credit Income III, or TCI III, which are predominantly control-stake CLO equity vehicles.
- TFG Asset Management owns 100% of the business.
- Further information on Tetragon Credit Partners is available at www.tetragoninv.com.

(i) For additional information on Tetragon's CLO equity investments, including its buy and hold strategy, please refer to www.tetragoninv.com/portfolio/bank-loans-via-clos.

Figure 24
Tetragon Credit Partners Committed Capital History ($millions)

TCI II and TCI III's total committed capital was $779.0 million in aggregate at 31 December 2019.



Products

- Tetragon Credit Income II L.P.
- Tetragon Credit Income III L.P.

TFG Asset Management Company Overviews (continued)

Description of Business

HAWKE'S POINT™ MINING FINANCE

- Hawke's Point is an asset management company focused on mining finance that provides capital to companies in the mining and resource sectors.
- Hawke's Point was established in 2014 and is based in London and New York.
- TFG Asset Management owns 100% of the business.
- To date, Hawke's Point has two investments in early stage gold miners.
- Hawke's Point's AUM was $82.3 million at 31 December 2019.

Description of Business

BANYAN SQUARE™

- Banyan Square Partners is a private equity firm focused on non-control structured and common equity investment opportunities. The firm seeks to support private equity acquisition financing, growth initiatives and liquidity events.
- The business launched in mid-2019; to date it has made one investment.

Tetragon Financial Management LP

Environmental, Social and Governance Policy

TFM, as the investment manager of Tetragon, is responsible for Tetragon's ESG policy.

Purpose and Scope of the Policy

This ESG policy aims to provide transparency around TFM's ESG beliefs and outlines its commitment to integrate material environmental, social, and governance issues into its investment process. The policy is applicable to Tetragon and its investments.

ESG Investment Criteria

ESG refers to a broad range of issues that may be considered in the investment process. Below are some examples of ESG issues under each category:

E - Environmental	S - Social	G - Governance
• Greenhouse gas (GHG) emissions • Energy management • Water and wastewater management	• Human rights • Data security • Workplace health and safety • Workforce diversity	• Minority shareholder rights • Board independence • Board diversity • Legal, regulatory and judicial environment

ESG-related risks and opportunities vary depending on multiple factors such as the industry, geography and individual firm characteristics. Potential risks from poor ESG performance include governance failures, inefficiencies, operational disruption, reputational damage, liabilities and low employee engagement. Potential opportunities include access to new and high-growth markets, better relationships with key external stakeholders and competitive advantage.

ESG Beliefs

TFM believes that ESG considerations could influence the risk-return profile of Tetragon's investments. TFM employs an ESG integration strategy, which is defined as the inclusion of material ESG information into the investment process. It is TFM's view that ESG integration is fully consistent with Tetragon's overall investment strategy. Additionally, given the evidence (both from academic and practitioner studies) demonstrating the link between ESG performance and financial performance, TFM believes that Tetragon's shareholders should understand how stronger ESG integration may help deliver sustainable value over the long-term.

ESG Integration

TFM integrates ESG information into its investment process to help identify drivers of risk and return. It is worth noting that ESG information is not the only consideration in TFM's investment decision making but rather expands the total information available to it when evaluating an investment. As part of its investment evaluation, TFM assesses ESG information alongside a wide variety of economic metrics and financial data, making investment decisions on a case-by-case basis.

Responsibility for Implementation

TFM's Investment Committee and Risk Committee are responsible for overseeing ESG integration. The ESG policy will be reviewed annually.

Relevant Commitments and Policies

TFM and Tetragon have adopted a number of policies and commitments that are complementary to the ESG integration approach, including the following:

- the Code of Ethics Policy and Proxy Voting Policy as found in the Compliance Manual; and
- a Statement on the UK Modern Slavery Act.

Tetragon also reports against the Code of Corporate Governance of the Association of Investment Companies (AIC).

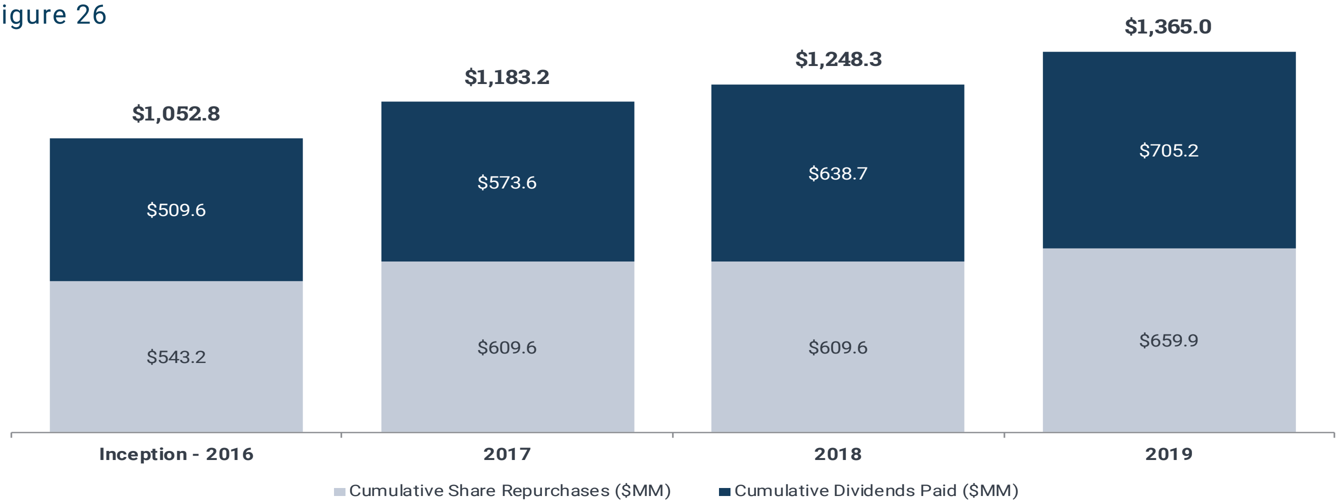
Share Repurchases & Distributions

Tetragon Share Repurchase and Dividend History(1)
Figure 25

Tetragon Financial Group Share Repurchase and Dividend History ($millions)				
Year	**Amount repurchased**	**Cumulative amount**	**Dividends paid**	**Cumulative dividends paid**
2007	$2.2	$2.2	$56.5	$56.5
2008	$12.4	$14.5	$60.4	$117.0
2009	$6.6	$21.2	$18.8	$135.7
2010	$25.5	$46.7	$37.5	$173.3
2011	$35.2	$81.9	$46.4	$219.6
2012	$175.6	$257.5	$51.5	$271.1
2013	$16.1	$273.6	$55.5	$326.6
2014	$50.9	$324.5	$58.7	$385.3
2015	$60.9	$385.4	$63.3	$448.6
2016	$157.8	$543.2	$61.0	$509.6
2017	$66.4	$609.6	$64.0	$573.6
2018	-	$609.6	$65.1	$638.7
2019	$50.3	$659.9	$66.5	$705.2
TOTAL	**$659.9**		**$705.2**	

The below graph shows cumulative historical share repurchases and dividends distributed by Tetragon from inception to 31 December 2019 in millions of U.S. dollars.

Figure 26



(1) Tetragon has engaged, and may continue to engage, in share repurchases in the market from time to time. Such purchases may, at appropriate price levels below NAV, represent an attractive use of Tetragon's excess cash and an efficient means to return such cash to shareholders. Any decision to engage in share repurchases will be made by the investment manager, upon consideration of relevant factors, and will be subject to, among other things, applicable law and profits at the time. Tetragon also continues to explore other methods of improving the liquidity of its shares. Cumulative dividends paid includes the cash and stock dividends paid to shareholders, but excludes dividends declared on shares held in escrow.

Share Reconciliation and Shareholdings

Figure 27

IFRS to Fully Diluted Shares Reconciliation	
	Shares at 31 December 2019 (millions)
Legal Shares Issued and Outstanding	**139.7**
Less: Shares Held in Treasury	35.4
Less: Total Escrow Shares(1.i)	12.1
IFRS Shares Outstanding	**92.2**
Add: Dilution for equity-based awards(1.ii)	4.2
Fully Diluted Shares Outstanding	**96.4**

Shareholdings

Persons affiliated with Tetragon maintain significant interests in Tetragon shares. For example, as of 31 December 2019, the following persons own (directly or indirectly) interests in shares in Tetragon in the amounts set forth below:

Figure 28

Individual	Shareholding at 31 December 2019
Mr. Reade Griffith(2.i, 3)	16,283,059
Mr. Paddy Dear(3)	4,750,294
Mr. David O'Leary	3,752
Other Tetragon/Polygon Employees	5,244,804
Equity-based awards(2.ii)	4,882,186

(1)(i) The Total Escrow Shares of 12.1 million consists of shares held in separate escrow accounts in relation to equity-based compensation.

(ii) Dilution in relation to equity-based awards by TFG Asset Management for certain senior employees. At the reporting date, this was 4.2 million. The basis and pace of recognition is expected to match the rate at which service is being provided to TFG Asset Management in relation to these shares. Please see Equity-Based Compensation Plans on page 83 for more details. Certain of these persons may from time to time enter into purchases or sales trading plans (each a, "Fixed Trading Plan") providing for the sale of Vested Shares or the purchase of Tetragon shares in the market, or may otherwise sell their Vested Shares or purchase Tetragon shares, subject to applicable compliance policies. Applicable brokerage firms may be authorised to purchase or sell Tetragon shares under the relevant Fixed Trading Plan pursuant to certain irrevocable instructions. Each Fixed Trading Plan is intended to comply with Rule 10b5-1 under the United States Securities Exchange Act of 1934, as amended. Each Fixed Trading Plan has been or will be approved by Tetragon in accordance with its applicable compliance policies.

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

(2)(i) Includes approximately 2.5 million incentive shares held in escrow with respect to Mr. Griffith's employment agreement vesting between July 2021 and June 2024 that are not subject to performance criteria *per se*. The remaining incentive shares covered by Mr. Griffith's employment agreement are subject to agreed-upon investment performance criteria and are excluded from this figure. Please see page 83 for further details.

(ii) Equity-based awards are intended to give certain senior employees of TFG Asset Management long-term exposure to Tetragon stock (with vesting subject to forfeiture and certain restrictions). Where shares have vested but not yet been released, they have been removed from this line and included in shares owned by "Other Tetragon/Polygon employees". Please see page 83 for further details.

(3) On 31 December 2019, an aggregate of 801,301 Tetragon shares were released from escrow and delivered to Reade Griffith and Paddy Dear (or their affiliated entities) as principals of Tetragon's investment manager. Please see Note 13 on page 46 of the 2019 Tetragon Audited Financial Statements for more details. Of those shares, Messrs. Griffith and Dear received into RGPD LLP, an entity ultimately controlled by them, an aggregate of 244,345 shares that are expected to be sold by RGPD LLP (subject to applicable compliance policies) in order to satisfy tax obligations arising out of the 31 December 2019 delivery of shares to Messrs. Griffith and Dear.

Additional CLO Portfolio Statistics

Figure 29

Tetragon's CLO Portfolio Details at 31 December 2019

Transaction[i]	Deal Type	Status[ii]	Primary or Secondary Investment[iii]	Original Invest. Cost ($MM USD)[iv]	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)[v]	Original Cost of Funds (bps)[vi]	Current Cost of Funds (bps)[vii]	Current Jr-Most O/C Cushion[viii]	Jr-Most O/C Cushion at Close[ix]	Annualized (Loss) Gain of Cushion[x]	IRR[xi]	ITD Cash Received as % of Cost[xii]
Transaction 47	U.S. CLO	Wound Down	Primary	28.3	2006	2021	2013	NA	47	NA	NA	4.3%	NA	23.7%	274.6%
Transaction 65	U.S. CLO	Called	Primary	26.9	2006	2021	2013	NA	47	NA	NA	5.0%	NA	16.2%	233.7%
Transaction 81	U.S. CLO	Wound Down	Primary	21.7	2012	2024	2016	NA	216	NA	NA	4.0%	NA	12.1%	156.9%
Transaction 83	U.S. CLO	Outstanding	Primary	20.8	2013	2029	2021	348	193	183	4.3%	6.2%	(0.3%)	13.1%	104.2%
Transaction 84	U.S. CLO	Outstanding	Primary	24.6	2013	2027	2021	328	183	179	2.8%	4.0%	(0.2%)	18.4%	125.3%
Transaction 85	U.S. CLO	Outstanding	Primary	1.0	2013	2031	2023	335	170	162	3.5%	5.0%	(0.2%)	10.4%	101.2%
Transaction 87	U.S. CLO	Called	Primary	23.0	2013	2026	2018	NA	199	NA	NA	4.0%	NA	(2.1%)	93.3%
Transaction 88	U.S. CLO	Outstanding	Primary	30.1	2014	2030	2022	319	199	179	2.6%	4.0%	(0.2%)	12.9%	94.1%
Transaction 89	U.S. CLO	Outstanding	Primary	33.6	2014	2031	2023	322	195	167	4.2%	4.0%	0.0%	13.8%	98.2%
Transaction 90	U.S. CLO	Outstanding	Primary	20.7	2014	2031	2023	332	203	159	4.0%	4.0%	(0.0%)	12.7%	84.6%
Transaction 91	U.S. CLO	Outstanding	Primary	27.8	2015	2031	2023	321	215	148	3.9%	4.0%	(0.0%)	12.3%	78.6%
Transaction 92	U.S. CLO	Outstanding	Primary	34.6	2015	2027	2020	322	199	181	2.2%	4.0%	(0.4%)	10.7%	72.6%
Transaction 93	U.S. CLO	Outstanding	Secondary	6.1	2016	2031	2023	321	215	148	3.9%	3.6%	0.1%	16.5%	68.1%
Transaction 94	U.S. CLO	Outstanding	Secondary	6.6	2016	2031	2023	322	195	167	4.2%	3.3%	0.2%	16.2%	66.9%
Transaction 95	U.S. CLO	Outstanding	Primary	2.6	2016	2029	2022	336	194	194	3.0%	4.4%	(0.5%)	8.7%	38.7%
Transaction 96	U.S. CLO	Outstanding	Secondary	2.7	2017	2030	2022	319	199	179	2.6%	3.0%	(0.1%)	6.6%	30.4%
Transaction 97	U.S. CLO	Outstanding	Primary	9.9	2017	2030	2022	319	178	179	2.6%	3.9%	(0.5%)	9.3%	32.7%
Transaction 98	U.S. CLO	Outstanding	Primary	33.2	2017	2030	2022	323	178	178	3.6%	4.5%	(0.3%)	9.9%	40.9%
Transaction 99	U.S. CLO	Outstanding	Primary	8.3	2017	2030	2022	329	164	164	4.4%	4.5%	(0.0%)	9.6%	28.8%
Transaction 100	U.S. CLO	Outstanding	Primary	2.6	2018	2031	2023	341	111	111	7.7%	7.8%	(0.1%)	25.9%	42.4%
Transaction 101	U.S. CLO	Outstanding	Primary	0.2	2018	2031	2023	335	163	162	3.5%	4.9%	(0.9%)	12.4%	24.6%
Transaction 102	U.S. CLO	Outstanding	Primary	5.0	2018	2031	2023	321	148	148	3.9%	4.5%	(0.3%)	19.1%	32.1%
Transaction 103	U.S. CLO	Outstanding	Primary	5.6	2018	2031	2023	332	159	159	4.0%	4.5%	(0.4%)	17.5%	20.0%
Transaction 104	U.S. CLO	Outstanding	Primary	9.8	2018	2031	2023	322	166	167	4.2%	4.5%	(0.3%)	15.3%	15.4%
Total CLO Portfolio:				**385.7**				**325**	**172**	**170**	**3.5%**	**4.3%**	**(0.2%)**	**13.1%**	**106.4%**

Notes

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

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

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

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

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

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

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

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

(ix) The junior-most O/C cushion at close is the excess (or deficit) of the junior-most O/C test ratio over the test requirement that was expected on each deal's closing date (or date of purchase, if later).

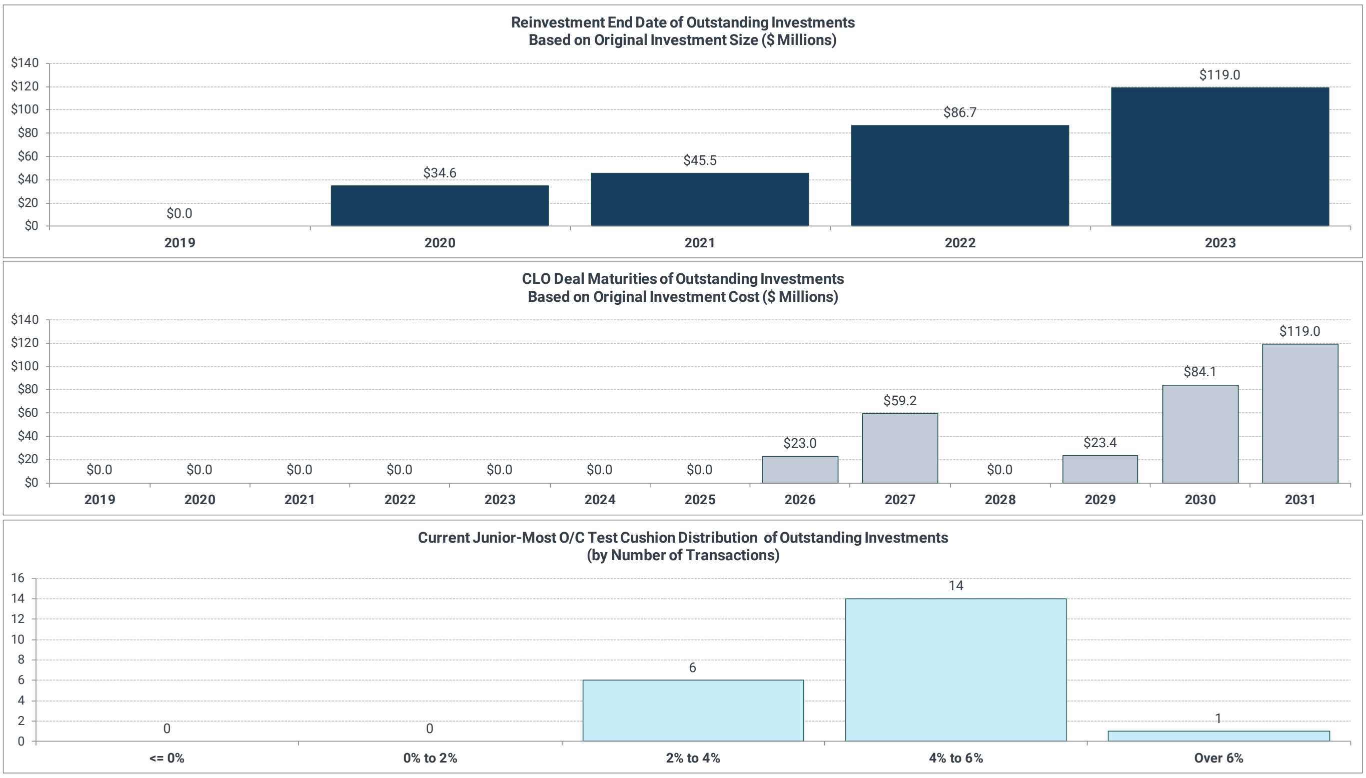
(x) Calculated by annualizing the change from the expected closing date junior-most O/C cushion to the current junior-most O/C cushion.

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

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

Additional CLO Portfolio Statistics (continued)

Figure 30



Certain Regulatory Information

This annual report is made public by means of a press release, which contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation, and has been filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten). In addition, this report is also made available to the public by way of publication on the Tetragon website (www.tetragoninv.com).

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

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

Tetragon shares are subject to legal and other restrictions on resale and the Euronext Amsterdam and SFS trading markets are less liquid than other major exchanges, which could affect the price of the shares.

There are additional restrictions on the resale of Tetragon shares by shareholders who are located in the United States or who are U.S. persons and on the resale of shares by any shareholder to any person who is located in the United States or is a U.S. person. These restrictions include that each shareholder who is located in the United States or who is a U.S. person must be a "Qualified Purchaser" or a "Knowledgeable Employee" (each as defined in the Investment Company Act of 1940), and, accordingly, that shares may be resold to a person located in the United States or who is a U.S. person only if such person is a "Qualified Purchaser" or a "Knowledgeable Employee" under the Investment Company Act of 1940. These restrictions may adversely affect overall liquidity of the shares.

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

Equity-Based Compensation Plans

In the fourth quarter of 2015, Tetragon bought back approximately 5.65 million of its non-voting shares in a tender offer to hedge against (or otherwise offset the future impact of) grants of shares under an equity-based long-term incentive plan and other equity awards by TFG Asset Management for certain senior employees (excluding the principals of the investment manager).

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

In July 2019, TFG Asset Management entered into an employment agreement with Mr. Reade Griffith, Director of Tetragon, that covers his services to TFG Asset Management for the period through to 30 June 2024. Mr. Griffith is currently the Chief Investment Officer of TFG Asset Management as well as the Chief Investment Officer of its Polygon event-driven European equity strategies (in addition to other roles). Under the terms of this agreement, Mr. Griffith received $9.5 million in cash in July 2019 and will receive the following:

- $3.75 million in cash in July 2020;
- 0.3 million Tetragon non-voting shares in July 2021;
- 2.1 million Tetragon non-voting shares in June 2024; and
- between zero and an additional 3.15 million Tetragon non-voting shares – with the number of shares based on agreed-upon investment performance criteria – vesting in years 5, 6 and 7.

All of the Tetragon non-voting shares, as well as the July 2020 payment, covered by Mr. Griffith's employment agreement are subject to forfeiture conditions. The shares are held in escrow for release upon vesting and are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further shares will be added to the escrow. Of the shares held in escrow with respect to Mr. Griffith's employment agreement, the 2.4 million shares (plus dividend shares) vesting between July 2021 and June 2024 are not subject to performance criteria per se and are included in Figure 28. The remaining shares are subject to agreed-upon investment performance criteria and are excluded from Figure 28.

For the purposes of determining the fully diluted NAV per Share, the dilutive effect of the equity-based compensation plans will be reflected in the fully diluted share count over the life of the plans. Such dilution will include, among other things and in addition to the award shares, any DRIP Shares and shares that will be required to cover employer taxes. At the end of 2019, approximately 4.2 million shares were included in the fully diluted share count.

Shareholder Information

Registered Office of Tetragon
Tetragon Financial Group Limited
Mill Court, La Charroterie
St. Peter Port
Guernsey GY1 1EJ
Channel Islands

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

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

Investor Relations
Yuko Thomas
ir@tetragoninv.com

Press Inquiries
Prosek Partners
Andy Merrill / Ryan Fitzgibbon
pro-tetragon@prosek.com

Auditors
KPMG Channel Islands Limited
Glategny Court,
Glategny Esplanade
St. Peter Port, Guernsey
Channel Islands GY1 1WR

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

Legal Advisor (as to U.S. law)
Covington & Burling LLP
The New York times Building
620 Eighth Avenue
New York, NY 10018-1405
United States of America

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

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

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

Administrator and Registrar
TMF Group Fund Administration (Guernsey) Limited(1)
Mill Court, La Charroterie
St. Peter Port
Guernsey GY1 1EJ
Channel Islands

(1) TMF Group acquired State Street (Guernsey) Limited in October 2019.

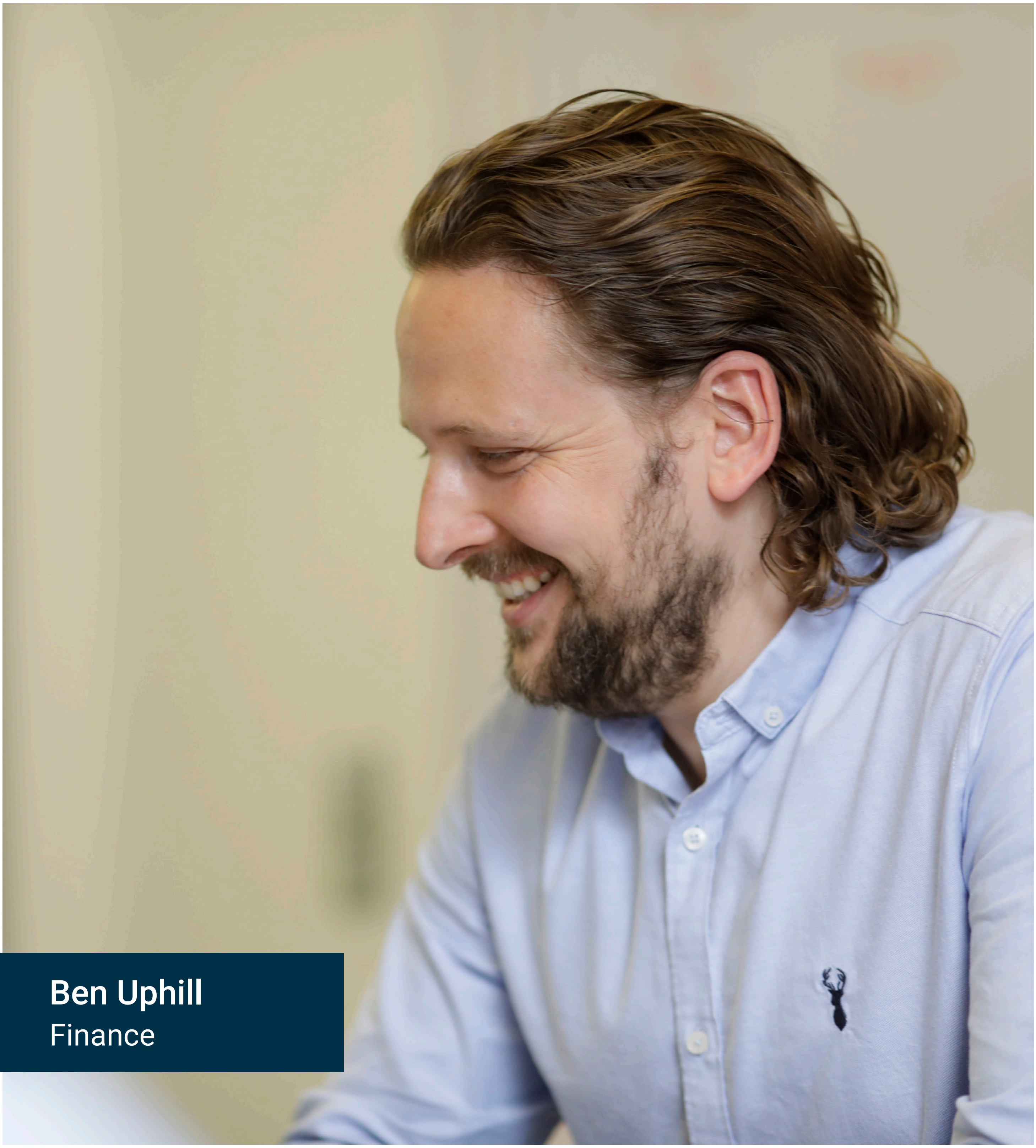
An investment in Tetragon involves substantial risks. Please refer to the company's website at www.tetragoninv.com for a description of the risks and uncertainties pertaining to an investment in Tetragon.

This release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

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

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

Audited Financial Statements



Ben Uphill
Finance

Our opinion is unmodified

We have audited the financial statements of Tetragon Financial Group Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2018):

(continued on next page)

(continued)

<table>
<tr><th>The risk</th><th>Our response</th></tr>
<tr><td colspan="2">Valuation of non-derivative level 3 financial assets at fair value through profit or loss
$1,625.9 Million; (2018 $1,377.2 Million) Refer to note 3 accounting policy and note 4 and 5 disclosures</td></tr>
<tr><td>

Basis:

As at 31 December 2019, the Company held non-derivative level 3 financial assets at fair value through profit or loss representing 68.1% of the Company's net asset value. These financial assets include CLO Equity Tranches, Unlisted Stock, TFG Asset Management investments and Investment Funds & Vehicles.

The fair value of these investments is based on:

- for CLO Equity Tranches, a marked to model approach;
- for Unlisted Stock, recently available data points;
- TFG Asset Management investments, a combination of marked to model and market multiple approach; and
- for the remaining level 3 investments, partner capital or net asset value statements provided by independent administrators.

In addition, independent third party valuation providers (the "Valuation Agents") have been engaged to assist in the valuation process for Level 3 investments comprising Unlisted Stock and TFG Asset Management investments.

Risk:

The valuation of the Company's level 3 investments is considered a significant area of our audit in view of the significance of the estimates and judgements that may be involved in the determination of their fair value and given that it represents the majority of the net assets of the Company.

The effect of these matters is that, as part of our risk assessment, we determined that the fair value of non-derivative level 3 financial assets at fair value through profit or loss has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 5) disclose the sensitivity estimated by the Company.

</td><td>

Our audit procedures included:

Internal Controls:

We have obtained an understanding of the valuation process and tested the design and implementation of the valuation process controls.

Challenging managements' assumptions and inputs including use of KPMG Specialists:

For a risk based selection of CLO Equity Tranches, with the support of a KPMG valuation specialist, we independently tested reference prices through the use of fundamental cash flow modelling, sourcing key inputs and assumptions used, such as default rates, prepayment rates, discount rates and recovery rates, to observable market data.

For investments valued using the assistance of the Valuation Agents, with the support of a KPMG valuation specialist we:

- assessed the objectivity, capabilities and competence of the Valuation Agents engaged to provide valuation services to the Company;
- assessed the methodology applied by the Valuation Agents in developing fair value of the Unlisted Stock and TFG Asset Management investments; and
- critically assessed the valuations provided by the Valuation Agents and challenged the valuation inputs and techniques based on market available information.

For Investment Funds & Vehicles valued using net asset values ("NAVs") we obtained independent confirmations from the third party administrators of these investment values as at 31 December 2019 (or latest available date) and reconciled these confirmations and subsequent capital movements (where coterminus statements were not available) to the valuations recorded by the Company. For a statistical sample, we reviewed the latest audited financial statements of Investment Funds & Vehicles in order to consider the nature of the investments held by those funds, the financial reporting standards applied in the preparation of the financial statements, any modification to the auditors' reports and other disclosures which may have been relevant to the valuation of the Company's investments.

Assessing disclosures:

We considered the adequacy of the disclosures made in the financial statements (see notes 3, 4 & 5) in relation to the use of estimates and judgements regarding the fair value of investments, the valuation estimation techniques inherent therein and fair value disclosures for compliance with IFRS as adopted by the EU.

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(continued)

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at $44.9 Million, determined with reference to a benchmark of net assets of $2,386.1 Million, of which it represents approximately 2% (2018: 3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $2.2 Million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have nothing to report on other matters on which we are required to report by exception

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

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 46 and 47, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

(continued on next page)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

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

DEBORAH SMITH

For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

25 February 2020

FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL STATEMENTS
For the year ended 31 December 2019

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Assets			
Non-derivative financial assets at fair value through profit or loss	5	2,417.1	1,937.1
Derivative financial assets	5	11.4	3.5
Other receivables and prepayments	8	1.0	8.0
Amounts due from brokers	7	47.1	35.3
Cash and cash equivalents	9	133.5	269.8
Total assets		2,610.1	2,253.7
Liabilities			
Loans and borrowings	11	150.0	38.0
Derivative financial liabilities	5	37.2	6.8
Other payables and accrued expenses	10	36.8	19.5
Total liabilities		224.0	64.3
Net assets		2,386.1	2,189.4
Equity			
Share capital	13	0.1	0.1
Other equity		830.9	829.7
Share-based compensation reserve	13	57.1	79.0
Retained earnings		1,498.0	1,280.6
		2,386.1	2,189.4
Shares outstanding		Million	Million
Number of shares	13	92.2	92.4
Net Asset Value per share		US$ 25.88	US$ 23.70

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

Signed on behalf of the Board of Directors by:

David O'Leary
Director

Steven Hart
Director

Date: 25 February 2020

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	Year ended 31 Dec 2019 US$ MM	Year ended 31 Dec 2018* US$ MM
Net gain on non-derivative financial assets at fair value through profit or loss	3	402.6	289.1
Net loss on derivative financial assets and liabilities	3	(6.9)	-
Interest income		6.8	-
Total income		402.5	289.1
Management fees	16	(33.5)	-
Incentive fee	12	(63.4)	(47.6)
Legal and professional fees		(5.3)	-
Share based employee compensation	13	(5.5)	-
Audit fees		(0.5)	-
Other operating expenses and administrative expenses		(2.8)	-
Operating expenses		(111.0)	(47.6)
Operating profit before finance costs		291.5	241.5
Finance costs		(3.5)	-
Profit and total comprehensive income for the year		288.0	241.5
Earnings per share			
Basic	17	US$ 3.22	US$ 2.65
Diluted	17	US$ 2.86	US$ 2.42
Weighted average shares outstanding		Million	Million
Basic	17	89.5	91.1
Diluted	17	100.8	99.7

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

* Prior to 31 December 2018, substantially all investment activities occurred in the Master Fund. Net gain on non-derivative financial assets at fair value through profit or loss, for the year ended 31 December 2018, encapsulates the profit and total comprehensive income of the Master Fund. Please refer to Note 2 for details of amalgamation.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital US$ MM	Other equity US$ MM	Retained earnings US$ MM	Capital reserve US$ MM	Share-based compensation reserve US$ MM	Total US$ MM
As at 1 January 2018	0.1	808.9	1,104.7	0.1	80.7	1,994.5
Profit and total comprehensive income for the year	-	-	241.5	-	-	241.5
Transactions with owners recognised directly in equity						
Shares released from escrow	-	1.7	-	-	(1.7)	-
Dividends on shares released from escrow	-	0.5	(0.5)	-	-	-
Cash dividends	-	-	(47.5)	-	-	(47.5)
Stock dividends	-	17.6	(17.6)	-	-	-
Issue of shares	-	0.1	-	-	-	0.1
Purchase of treasury shares	-	(1.0)	-	-	-	(1.0)
Capital reserve in respect of share options	-	1.9	-	(0.1)	-	1.8
As at 31 December 2018	0.1	829.7	1,280.6	-	79.0	2,189.4
Profit and total comprehensive income for the year	-	-	288.0	-	-	288.0
Transactions with owners recognised directly in equity						
Shares released from escrow	-	27.4	-	-	(27.4)	-
Dividends on shares released from escrow	-	5.4	(5.4)	-	-	-
Share-based compensation	-	-	-	-	5.5	5.5
Cash dividends	-	-	(44.8)	-	-	(44.8)
Stock dividends	-	20.4	(20.4)	-	-	-
Purchase of treasury shares	-	(52.0)	-	-	-	(52.0)
As at 31 December 2019	0.1	830.9	1,498.0	-	57.1	2,386.1

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

TETRAGON FINANCIAL GROUP LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Year ended 31 Dec 2019 US$ MM	Year ended 31 Dec 2018 US$ MM (Restated)**
Operating activities		
Profit for the year	288.0	241.5
Adjustments for:		
Gains on investments and derivatives	(395.7)	(199.6)
Share based compensation	5.5	-
Interest income	(6.8)	-
Finance costs	3.5	-
Operating cash flows before movements in working capital	(105.5)	41.9
Decrease in receivables	6.7	-
Increase in payables	17.3	5.6
Increase in amounts due from brokers	(11.8)	-
Cash flows from operations	(93.3)	47.5
Proceeds from sale/prepayment/maturity of investments	397.7	-
Net proceeds from derivative financial instruments	15.6	-
Purchase of investments	(474.8)	-
Cash interest received	6.8	-
Cash from the Master Fund on amalgamation**	-	269.8
Proceeds from sale of Master Fund shares	-	1.0
Net cash (used in) / generated from operating activities	(148.0)	270.8
Financing activities		
Proceeds from loans and borrowings	112.0	-
Finance costs paid	(3.5)	-
Proceeds from issue of shares	-	1.9
Purchase of Master Fund shares	-	(1.9)
Purchase of treasury shares	(52.0)	(1.0)
Dividends paid to shareholders*	(44.8)	(47.5)
Net cash generated from / (used in) financing activities	11.7	(48.5)
Net (decrease) / increase in cash and cash equivalents	(136.3)	269.8
Cash and cash equivalents at beginning of year	269.8	-
Cash and cash equivalents at end of year**	133.5	269.8

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

* The gross dividend payable to shareholders was US$ 65.2 million (2018: US$ 65.1 million) with a value equivalent to US$ 20.4 million (2018: US$ 17.6 million) elected to be taken by the dividend recipient in shares rather than cash.

** Up to 31 December 2018, the Fund did not maintain any bank accounts or cash balances. All cash transactions took place within the Master Fund. Please refer to Note 2 for the details of amalgamation.

Note 1 Corporate Information

Tetragon Financial Group Limited ("Tetragon" or the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey, and the Fund's non-voting shares (the "Shares") are listed on Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (ticker symbol: TFG.NA) and on the Specialist Fund Segment of the London Stock Exchange plc (ticker symbols: TFG.LN and TFGS.LN). The registered office of the Fund is Mill Court, La Charroterie, St. Peter Port, Guernsey, GY1 1EJ, Channel Islands.

Note 2 Legal Amalgamation of the Master Fund with the Fund

From inception to 31 December 2018, the Fund acted as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund"). With effect from 31 December 2018, the Master Fund was amalgamated under Part VI of the Companies (Guernsey) Law, 2008 (as amended) with its parent company, the Fund. There was no change in beneficial ownership as a result of the amalgamation.

Prior to the amalgamation, the Fund had presented its Statement of Cash Flows using the direct method as the Fund was acting as the feeder fund with limited transactions and no cash account in its name. For the year ended 31 December 2019, the Fund is presenting its Statement of Cash Flows using the indirect method. The change in presentation method makes the Statement of Cash Flows consistent with the Master Fund's Statement of Cash Flows presented in prior periods. As a result of this change, the Statement of Cash Flows for the year ended 31 December 2018 is restated using the indirect method.

Note 3 Significant Accounting Policies

Basis of Preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and comply with the Companies (Guernsey) Law, 2008 and give a true and fair view.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and certain non-derivative financial assets and financial liabilities held at fair value through profit or loss ("FVTPL") that have been measured at fair value. The accounting policies have been consistently applied to all periods presented in these financial statements.

The financial statements are presented in United States Dollars ("USD" or "US$"), which is the functional currency of the Fund, expressed in USD millions ("US$ MM") (unless otherwise noted). The share capital of the Fund and the majority of its investments are denominated in USD. Most of the expenses and fees paid by the Fund are in USD. Hence, the Directors determined that USD as functional and presentational currency reflects the Fund's primary economic environment.

In accordance with IFRS 10 Consolidated Financial Statements ("IFRS 10"), the Fund is an investment entity and, as such, does not consolidate the entities it controls where they are deemed to be subsidiaries. Instead, interests in subsidiaries are classified as FVTPL. Investments in associates are also classified as FVTPL.

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

Note 3 Significant Accounting Policies (continued)

New standards and amendments to existing standards

IFRIC 23 "*Uncertainty over Income Tax Treatments*" was issued in June 2017 and became effective for periods beginning on or after 1 January 2019. It clarifies the accounting for uncertainties in income taxes which is applied to the determination of taxable profits (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments in accordance with IAS 12. It clarifies that the Fund should consider whether tax treatments should be considered independently or collectively, whether the relevant tax authority will or will not accept each tax treatment and, the requirement to reassess its judgments and estimates if facts and circumstances change. IFRS 16 *Leases* is applicable from 1 January 2019. The application of IFRIC 23 and IFRS 16 did not have a significant effect on the Fund's financial position, performance or disclosures in its financial statements.

The Fund has considered all the standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. These standards and interpretations are not relevant to the Fund's activities or their effects are not expected to be material.

Foreign Currency Translation

Transactions in foreign currencies are translated to the Fund's functional currency at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to USD at the foreign currency closing exchange rate ruling at the reporting date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised as net foreign exchange gain/(loss) in the Statement of Comprehensive Income except for those arising on financial instruments at FVTPL which are recognised as components of net gain on non-derivative financial assets at FVTPL and derivative instruments which are recognised as components of net gain/(loss) on derivative financial assets and financial liabilities.

Financial Instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with Financial Instruments ("IFRS 9").

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest outstanding.

The Fund includes in this category cash and cash equivalents, amounts due from brokers, receivable for securities sold and other sundry receivables. These assets are held with an intention to collect the principal and interest payments.

Note 3 Significant Accounting Policies (continued)

Financial Instruments (continued)

(i) Classification (continued)

Financial assets and liabilities at FVTPL

All financial assets not classified as measured at amortised cost are measured at FVTPL. Financial liabilities attached to derivatives are also measured at FVTPL.

Investments in derivatives, collateralised loan obligations ("CLOs"), loans and corporate bonds, listed and unlisted stock, investment funds and vehicles and private equity in asset management companies are included in this category.

Other financial liabilities at amortised cost

This category includes all financial liabilities, other than those classified as at FVTPL. The Fund includes in this category loans and borrowings and other payables and accrued expenses.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date (i.e. the date that the Fund commits to purchase or sell the asset).

(iii) Initial measurement

Financial assets and financial liabilities at FVTPL are initially recognised in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised immediately through profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value adjusted for any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund re-measures financial instruments which are classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain/loss on non-derivative financial assets at FVTPL in the Statement of Comprehensive Income. Subsequent changes in fair value of derivative instruments are recorded in net gain/loss on derivative financial assets and liabilities in the Statement of Comprehensive Income.

Receivables are carried at amortised cost less any allowance for impairment with any impairment losses arising being included in profit or loss.

Financial liabilities, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method.

Note 3 Significant Accounting Policies (continued)

Financial Instruments (continued)

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where (i) the rights to receive cash flows from the asset have expired, or (ii) the Fund has either transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and in either cases in (ii):

(a) the Fund has transferred substantially all of the risks and rewards of the asset; or
(b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(v) Impairment

The Fund recognises loss allowances for expected credit losses ("ECL") on financial assets at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value measurement

The Fund measures all its investments and derivatives, at fair value at each reporting date.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Note 3 Significant Accounting Policies (continued)

Fair value measurement (continued)

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price without any deduction for transaction costs. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For all other financial instruments not traded in an active market, the fair value is determined by using observable inputs where available and valuation techniques deemed to be appropriate in the circumstances.

Valuation techniques include using recent arm's length market transactions adjusted as necessary, and reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis making as much use of available and supportable market data as possible and third-party valuation models.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of each reporting period.

Amounts due from/to brokers

Amounts due from/to brokers include margin accounts which represent cash pledged as collateral on the forward foreign exchange contracts, credit default swaps and contracts for difference. Refer to the accounting policy for financial instruments for recognition and measurement.

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents comprise of short-term highly liquid investments that are readily convertible to known amounts of cash and 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.

Net gain or loss on non-derivative financial assets and liabilities at FVTPL

Net gains or losses on non-derivative financial assets at FVTPL are changes in the fair value of financial assets and financial liabilities at FVTPL and include related interest, dividends and foreign exchange gains or losses.

Interest income

Interest income arising on cash balances and tri-party repurchase agreements are recognised in the Statement of Comprehensive Income using the effective interest method.

Finance costs

Interest and fees charged on borrowings are recognised through profit or loss in the Statement of Comprehensive Income using the effective interest method.

Note 3 Significant Accounting Policies (continued)

Expenses

Expenses and fees, including Directors' fees, are recognised through profit or loss in the Statement of Comprehensive Income on an accruals basis.

Taxation

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 1,200 per annum (2018: GBP 1,200).

Dividend distribution

Dividend distributions are recognised in the Statement of Changes in Equity, when the shareholders' right to receive the payment is established.

Share-based payment transactions

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

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

Other equity

Other equity contains the share premium and treasury shares balances.

Amalgamation of entities under common control

As a result of the amalgamation, assets and liabilities were transferred to the surviving entity at fair value on the effective date of amalgamation.

Operating segments

An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incurs expenses, whose operating results are regularly reviewed by the Fund's chief operating decision makers and for which discrete financial information is available. The chief operating decision makers for the Fund are the Investment Manager and the Directors. The Fund has considered the information reviewed by the Fund's chief operating decision makers and determined that there is only one operating segment in existence.

Note 4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Fund's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Investment entity status

The Board of Directors have determined that the Fund meets the definition of an investment entity as per IFRS 10. Entities that meet the definition of an investment entity within IFRS 10 are generally required to measure their subsidiaries at FVTPL rather than consolidate them.

The Fund's investment objective is to generate distributable income and capital appreciation. The Fund reports to its investors via monthly, semi-annual and annual investor information, and to its management, via internal management reports, on a fair value basis. The Fund has a documented exit strategy for all of its investments.

Estimates and assumptions

Measurement of fair values

The Fund based its assumptions and estimates on parameters available when the financial statements were prepared; however, existing circumstances and assumptions about future developments may change due to market changes and circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

For detailed information on the estimates and assumptions used to determine the fair value of financial instruments, please refer to Note 5.

Note 5 Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Fair value hierarchy

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

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

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Recurring fair value measurement of assets and liabilities

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2019:

Non-derivative financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
Investment funds and vehicles	-	612.8	394.5	1,007.3
TFG Asset Management	-	-	747.5	747.5
CLO equity tranches	-	-	210.9	210.9
Unlisted stock	-	5.4	273.0	278.4
Listed stock	149.3	-	-	149.3
Corporate bonds	-	23.7	-	23.7
Total non-derivative financial assets at FVTPL	149.3	641.9	1,625.9	2,417.1
Derivative financial assets				
Contracts for difference (asset)	-	11.2	-	11.2
Forward foreign exchange contracts (asset)	-	0.2	-	0.2
Total derivative financial assets	-	11.4	-	11.4
Derivative financial liabilities				
Contracts for difference (liability)	-	(1.3)	(14.3)	(15.6)
Forward foreign exchange contracts (liability)	-	(21.6)	-	(21.6)
Total derivative financial liabilities	-	(22.9)	(14.3)	(37.2)

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Recurring fair value measurement of assets and liabilities (continued)

The following table shows financial instruments measured at fair value by the level in fair value hierarchy as of 31 December 2018:

Non-derivative financial assets at FVTPL	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
Investment funds and vehicles	-	430.1	361.9	792.0
TFG Asset Management	-	-	662.1	662.1
CLO equity tranches	-	-	257.1	257.1
Listed stock	106.0	-	-	106.0
Unlisted stock	-	-	96.1	96.1
Corporate bonds	-	23.8	-	23.8
Total non-derivative financial assets at FVTPL	106.0	453.9	1,377.2	1,937.1
Derivative financial assets				
Contracts for difference (asset)	-	0.8	-	0.8
Forward foreign exchange contracts (asset)	-	2.7	-	2.7
Total derivative financial assets	-	3.5	-	3.5
Derivative financial liabilities				
Contracts for difference (liability)	-	-	(5.5)	(5.5)
Forward foreign exchange contracts (liability)	-	(1.3)	-	(1.3)
Total derivative financial liabilities	-	(1.3)	(5.5)	(6.8)

Transfers between levels

During the year ended 31 December 2019, an unlisted stock held at Level 3 of US$ 25.8 million at 31 December 2019 was transferred to Level 1 following its listing, and then remained quoted on an active market. An investment included in 'Investment funds and vehicles', held at Level 3 of US$ 81.1 million at 31 December 2019, was transferred to Level 2 as the underlying Level 3 assets in the fund moved from Level 3 to Level 1. There were no transfers between levels in 2018.

Other financial assets and liabilities

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

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Level 3 reconciliation

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2019.

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Total US$ MM
Balance at start of year	257.1	96.1	361.9	662.1	1,377.2
Additions	-	157.7	159.2	9.5	326.4
Proceeds	(71.9)	(35.7)	(120.2)	(89.1)	(316.9)
Realised gains/(losses) through profit or loss	60.3	2.9	45.0	48.7	156.9
Unrealised gains/(losses) through profit or loss	(34.6)	77.8	29.7	116.3	189.2
Transfer between categories	-	(25.8)	(81.1)	-	(106.9)
Balance at end of year	210.9	273.0	394.5	747.5	1,625.9

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

	CLO Equity Tranches US$ MM	Unlisted Stock US$ MM	Investment Funds and Vehicles US$ MM	TFG Asset Management US$ MM	Master Fund US$ MM	Total US$ MM
Balance at start of year	-	-	-	-	2,008.4	2,008.4
Additions	-	-	-	-	19.5	19.5
Proceeds	-	-	-	-	(1.0)	(1.0)
Gain on investments	-	-	-	-	179.9	179.9
Transfer from the Master Fund on amalgamation	257.1	96.1	361.9	662.1	(2,206.8)	(829.6)
Balance at end of year	257.1	96.1	361.9	662.1	-	1,377.2

Valuation process (framework)

Following State Street (Guernsey) Limited's acquisition by TMF Group Fund Administration (Guernsey) Limited (the "Administrator") in October 2019, the latter serves as the Fund's independent administrator and values the investments of the Fund on an ongoing basis in accordance with the valuation principles and methodologies approved by the Audit Committee, which comprises of independent directors, from time to time.

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

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques

CLO equity tranches

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

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

As at 31 December 2019, key modelling assumptions used are disclosed below. The modelling assumptions disclosed below are a weighted average (by USD amount) of the individual deal assumptions. Each individual deal's assumptions may differ from this average and vary across the portfolio.

Constant Annual Default Rate ("CADR")	Approximately 2.38% (2018: 2.35%), which is 1.0x of the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	74% (2018: 74%), which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a. (2018: 20%), the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 345 basis points ("bps") (2018: 348 bps) on broadly U.S. syndicated loan deals which are still in their reinvestment periods.

When determining the fair value of the equity tranches, a discount rate is applied to the expected future cash flows derived from the third-party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken. At 31 December 2019, a discount rate of 10% for U.S. 1.0 deals (2018: 10%) has been utilised. At 31 December 2019, for U.S. 2.0 deals the discount rate applied is 11% (2018: 11%) unless the deal is within its non-refinancing period, in which case the deal internal rates of return ("IRR") is utilised as the discount rate. For deals in this category the weighted average IRR or discount rate is 9.9% (2018: 10.1%).

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

CLO equity tranches (continued)

Sensitivity Analysis:

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

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
-1% discount rate	5.5	7.4
+1% discount rate	(5.0)	(6.9)

Private equity in asset management companies

The Fund holds majority and minority private equity stakes in asset management companies that are part of TFG Asset Management. The valuation calculation for these investments was prepared by a third-party valuation specialist engaged by the Fund's Audit Committee. LCM is valued using a combination of DCF Approach and quoted market multiples ("Market Multiple Approach") based on comparable companies to determine an appropriate valuation range. Equitix, Polygon and Tetragon Credit Partners are valued using DCF Approach.

During 2018, the Fund announced the merger of GreenOak with Bentall Kennedy, Sun Life Financial Inc.'s real estate and property management firm to BentallGreenOak. The merger became effective on 2 July 2019. In addition to receiving an upfront cash payment, TFG Asset Management will continue to hold approximately 13% interest in the combined entity and will receive a series of fixed and variable profit distributions. Sun Life Financial Inc. will have an option to acquire the remaining interest in the merged entity approximately seven years from the closing. TFG Asset Management and other minority owners are entitled to sell their interest to Sun Life Financial Inc. approximately eight years from the close of the transaction. The Fund's investment in BentallGreenOak, as at 31 December 2019, is valued using the DCF Approach on expected cash flows from the merged entity.

The DCF Approach estimates the value of each business based on the value of the cash flows the business is expected to generate in the future. The DCF Approach estimates the enterprise value of the investments by discounting estimates of expected future free cash flows to the Fund (to both equity and debt holders), and the terminal value, at a weighted average cost of capital ("WACC") that captures the risk inherent in the projections. From the enterprise value derived by the DCF Approach, market value of net debt is deducted to arrive at the equity value. An adjustment is made to account for a discount for lack of liquidity ("DLOL"), generally in range of 15% to 20%.

The Market Multiple Approach applies a multiple, considered to be an appropriate and reasonable indicator of value to certain metrics of the business, such as earnings or asset under management ("AUM"), to derive the equity value. The multiple applied in each case is derived by considering the multiples of quoted comparable companies. The multiple is then adjusted to ensure that it appropriately reflects the specific business being valued, considering its business activities, geography, size, competitive position in the market, risk profile, and earnings growth prospects of the business. The valuation specialist considered a multiple of price-to-assets under management, and/or a multiple of earnings such as a Company's earnings before interest, Taxes, Depreciation, and Amortization ("EBITDA"), to perform this analysis.

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Private equity in asset management companies (continued)

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

31 December 2019

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	301.1	DCF, Debt at par + accrued interest	Discount rate 9.50%, DLOL 15%
BentallGreenOak	190.8	DCF (sum-of-the-parts)	Discount rate ranges from 3.5% to 25% for different types of cash flows with a base discount rate of 11.25%, DLOL 15%
LCM	186.0	DCF and Market Multiples	Discount rate 11.50%, P/AUM multiple 2.7%, DLOL 15%
Polygon	48.1	DCF	Discount rate 12.25%, DLOL 20%
Tetragon Credit Partners	19.7	DCF	Discount rate 11.50%, DLOL 15%
Hawke's Point	1.8	Replacement cost	

31 December 2018

Investment	Fair Value US$ MM	Valuation methodology	Significant unobservable inputs
Equitix	230.9	DCF, Debt at par + accrued interest	Discount rate 9.75%, DLOL 15%
GreenOak	208.5	DCF (sum-of-the-parts)	Discount rate ranges from 5% to 25% for different types of cash flows with a base discount rate of 11.0%, DLOL 15%
LCM	154.9	DCF and Market Multiples	Discount rate 11.5%, P/AUM multiple 2.3%, DLOL 15%
Polygon	55.1	DCF	Discount rate 12.5%, DLOL 20%
Tetragon Credit Partners	11.0	DCF	Discount rate 11.5%, DLOL 15%
Hawke's Point	1.7	Replacement cost	

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Private equity in asset management companies (continued)

Sensitivity Analysis:

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

31 December 2019

Investment	Favorable	Unfavorable
Equitix	US$ 43.2 MM Discount rate 8.50%	(US$ 33.4 MM) Discount rate 10.50%
BentallGreenOak	US$ 4.8 MM Discount rate 10.25%	(US$ 4.5 MM) Discount rate 12.25%
LCM	US$ 23.7 MM Discount rate 10.5%, P/AUM multiple 3.0%	(US$ 23.7 MM) Discount rate 12.5%, P/AUM multiple 2.3%
Polygon	US$ 5.1 MM Discount rate 11.25%	(US$ 5.1 MM) Discount rate 13.25%
Tetragon Credit Partners	US$ 0.9 MM Discount factor 10.5%	(US$ 0.8 MM) Discount factor 12.5%

31 December 2018

Investment	Favorable	Unfavorable
Equitix	US$ 31.7 MM Discount rate 8.75%	(US$ 24.8 MM) Discount rate 10.75%
GreenOak	US$ 5.0 MM Discount rate 10.0%	(US$ 4.6 MM) Discount rate 12.0%
LCM	US$ 19.3 MM Discount rate 10.5%, P/AUM multiple 2.75%	(US$ 19.3 MM) Discount rate 12.5%, P/AUM multiple 2.0%
Polygon	US$ 5.6 MM Discount rate 11.5%	(US$ 5.6 MM) Discount rate 13.5%
Tetragon Credit Partners	US$ 0.6 MM Discount factor 10.5%	(US$ 0.6 MM) Discount factor 12.5%

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Investment funds and vehicles

Investments in unlisted investment funds, classified as level 2 and level 3 in the fair value hierarchy, are valued utilising the net asset valuations provided by the managers of the underlying funds and/or their administrators. Management's assessment is that these valuations are the fair value of these investments. In determining any adjustments necessary to the net asset valuations, management has considered the date of the valuation provided. No adjustment was deemed material following this review.

The Fund has an investment in an externally managed investment vehicle that holds farmlands in Paraguay. These farmlands are valued utilising inputs from an independent third-party valuation agent.

Sensitivity analysis:

A 1% increase in net asset value ("NAV") of the unlisted investment funds included in Level 3 will increase net assets and profits of the Fund by US$ 3.9 million (2018: US$ 3.6 million). A decrease in the NAV of the unlisted investment funds will have an equal and opposite effect.

Unlisted stock

Broker quotes are used to value the Level 2 unlisted stock.

The level 3 unlisted stock includes three private equity investments, and these have been valued by reference to recently available data points. For the first investment, the transaction price from the last financing round in the fourth quarter of 2019 was used to value it. The other two investments have been valued based on the applicable transaction price, both of which settled following the calendar year end.

Sensitivity analysis:

A 1% increase in the value of unlisted stock included in Level 3 will increase net assets and profits of the Fund by US$ 2.7 million (2018: US$ 1.0 million).

Listed stock

For listed stock in an active market, the closing exchange price is utilised as the fair value price.

Corporate bonds

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

Note 5 Financial Assets and Liabilities at Fair Value through Profit or Loss (continued)

Valuation techniques (continued)

Forward foreign exchange contracts and currency options

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

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

Contracts for difference

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

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

Note 6 Interest in Other Entities

Investment in unconsolidated structured entities

IFRS 12 defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements.

The Fund holds various investments in CLOs and investment funds. The fair value of the CLOs and investment funds is recorded in the "Non-derivative financial assets at fair value through profit or loss" line in the Statement of Financial Position. The Fund's maximum exposure to loss from these investments is equal to their total fair value and, if applicable, unfunded commitments. Once the Fund has disposed of its holding in any of these investments, the Fund ceases to be exposed to any risk from that investment. The Fund has not provided, and would not be required to provide any financial support to these investees. The investments are non-recourse.

Note 6 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

Below is a summary of the Fund's holdings in subsidiary unconsolidated structured entities.

As at 31 December 2019:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	10	245.6 - 748.9	534.8	190.8	8.0%
Investment Funds		Total NAV US$ MM			
Polygon European Equity Opportunity Fund[2]	1	448.8	n/a	377.5	15.8%
Polygon Global Equities Fund[2]	1	24.7	n/a	20.9	0.9%
Polygon Convertible Opportunity Fund[2]	1	632.7	n/a	81.7	3.4%
Tetragon Credit Income II[3]	1	290.5	n/a	59.0	2.5%
Tetragon Credit Income III[3]	1	351.9	n/a	70.4	3.0%
Hawke's Point Holdings LP[3]	1	81.3	n/a	81.1	3.4%
Banyan Square Capital Partners LP	1	15.0	n/a	15.0	0.6%
Other Real Estate[4]	4	38.8	n/a	38.8	1.6%

As at 31 December 2018:	No. of invest-ments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	10	245.6 - 748.9	535.6	202.9	9.3 %
Investment Funds		Total NAV US$ MM			
Polygon European Equity Opportunity Fund[2]	1	399.0	n/a	281.7	12.9%
Polygon Global Equities Fund[2]	1	25.0	n/a	21.4	1.0%
Polygon Convertible Opportunity Fund[2]	1	642.8	n/a	76.8	3.5%
Tetragon Credit Income II LP[3]	1	324.0	n/a	65.3	3.0%
Tetragon Credit Income III LP[3]	1	17.3	n/a	4.2	0.2%
Hawke's Point Holdings LP[3]	1	17.9	n/a	17.9	0.8%
Other Real Estate[4]	4	41.7	n/a	41.7	1.9%

[1] This includes all U.S. CLOs deemed to be controlled by the Fund. U.S. CLOs are domiciled in the Cayman Islands.

[2] Polygon hedge funds are domiciled in the Cayman Islands. Given the applicable notice, liquidity up to 25% of the investment in Polygon hedge funds is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

[3] Hawke's Point Holdings LP, Banyan Square Capital Partners LP, Tetragon Credit Income II LP ("TCI II") and Tetragon Credit Income III LP ("TCI III") are domiciled in the Cayman Islands. These are private-equity style investment funds. Please refer to Note 15 for details of unfunded commitments.

[4] The Fund has investments in commercial farmland in Paraguay, via individual managed accounts managed by Scimitar, a specialist manager in South American farmland. The Fund's investment can only be redeemed when the underlying real estate assets are sold.

Note 6 Interest in Other Entities (continued)

Investment in unconsolidated structured entities (continued)

Below is a summary of the Fund's holding in non-subsidiary unconsolidated structured entities:

As at 31 December 2019:	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	6	31.5 - 1,685.4	453.2	20.0	0.8%
European CLOs[1]	1	17.5	17.5	-	-
		Total AUM US$ MM			
Real Estate					
BentallGreenOak – U.S.[2]	6	24,000.0	n/a	64.5	2.7%
BentallGreenOak – Europe[2]	12	4,800.0	n/a	73.9	3.1%
BentallGreenOak – Asia[2]	2	500.0	n/a	29.9	1.3%
		Total NAV US$ MM			
Other Funds					
QT Fund	1	660.0	n/a	51.7	2.2%
Private Equity Funds[3]	14	2,067.4	n/a	43.0	1.8%

As at 31 December 2018:	No. of investments	Range of nominal US$ MM	Average nominal US$ MM	Carrying value US$ MM	Percentage of NAV
CLO Equity					
U.S. CLOs[1]	12	31.0 - 1,550.1	257.2	54.2	2.5%
European CLOs[1]	1	24.0	24.0	0.3	0.0%
Real Estate		Total AUM US$ MM			
GreenOak – U.S.[2]	6	5,551.3	n/a	89.1	4.1%
GreenOak – Europe[2]	12	3,881.7	n/a	71.7	3.3%
GreenOak – Asia[2]	3	1,191.1	n/a	41.1	1.9%
		Total NAV US$ MM			
Other Funds					
QT Fund	1	629.0	n/a	50.2	2.3%
Private Equity Funds[3]	10	277.9	n/a	30.9	2.2%

[1] Includes all externally managed CLOs that are outside the Fund's control. U.S. CLOs are domiciled in the Cayman Islands. The European CLO is domiciled in Ireland.

[2] BentallGreenOak funds hold real estate investments in the United States, Japan and various countries in Europe. Total assets under management ("AUM") reflects 100% of BentallGreenOak AUM in structured entities. The number of investments indicates the Fund's investments in each region. The Fund's investment in these funds can only be redeemed in the form of capital distributions when the underlying real estate assets are sold.

[3] Private equity funds are domiciled in the Cayman Islands, Luxembourg and the United States.

Note 6 Interest in Other Entities (continued)

TFG Asset Management

The Fund owns 100% holdings and voting rights in TFG Asset Management LP. As at 31 December 2019, TFG Asset Management's investments were comprised of the following:

Investment	Principal place of business	Ownership interest		Carrying value US$ MM		Percentage of NAV	
		2019	2018	2019	2018	2019	2018
Equitix	London	75%	75%	301.1	230.9	12.6%	10.5%
BentallGreenOak	Global[1]	13%	-	190.8	-	8.0%	-
GreenOak	Global	-	23%	-	208.5	-	9.5%
LCM	New York and London	100%	100%	186.0	154.9	7.8%	7.1%
Polygon	New York and London	100%	100%	48.1	55.1	2.0%	2.5%
Tetragon Credit Partners	New York and London	100%	100%	19.7	11.0	0.8%	0.5%
Hawke's Point	New York and London	100%	100%	1.8	1.7	0.1%	0.1%
Banyan Square Partners	New York and London	100%	-	-	-	-	-

[1] BentallGreenOak has a presence in North America, Europe and Asia.

Please refer to Note 15 for details of unfunded commitments.

Note 7 Financial Risks Review

Financial Risk Review:

The Fund has exposure to the following risks from financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risks

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk.

Risk Management Framework:

The Fund's portfolio comprises a broad range of assets, including a diversified alternative asset management business, TFG Asset Management, and covers bank loans, real estate, equities, credit, convertible bonds, private equity and infrastructure. The Fund's investment strategy is to seek to identify asset classes that offer excess returns relative to their investment risk, or 'intrinsic alpha'.

The Investment Manager analyses the risk/reward, correlation, duration and liquidity characteristics of each potential capital use to gauge its attractiveness and incremental impact on the Fund. As part of the Fund's investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

The Investment Manager's risk committee is responsible for the risk management of the Fund and performs active and regular oversight and risk monitoring.

Note 7 Financial Risks Review (continued)

A) Credit risk

'Credit risk' is the risk that a counterparty/issuer to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from the CLO portfolio held, and also from derivative financial assets, cash and cash equivalents, corporate bonds, other receivables and balances due from brokers. Credit risk is monitored on an ongoing basis by the Investment Manager in accordance with the policies and procedures in place.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. The Fund conducts diligence on its brokers and financing counterparties before entering into trading or financing relationships. The Fund also actively monitors and manages settlement risk by diversifying across counterparties and by monitoring developments in the perceived creditworthiness of financing counterparties.

The carrying value and unfunded commitments of financial assets through profit or loss, derivatives, other receivables, amounts due from brokers and cash and cash equivalents, as disclosed in the Statement of Financial Position and Note 15, represents the Fund's maximum credit exposure, hence, no separate disclosure is provided.

i. Analysis of Credit Quality

Cash and cash equivalents

The cash and cash equivalents, including reverse sale and repurchase agreements, are held with three (2018: six) financial institutions with credit ratings between A- and A (S&P) (2018: AA- and A+). The Investment Manager monitors these credit ratings and spreads of credit default swaps on a daily basis and actively moves balances between counterparties when deemed appropriate.

Amounts due from brokers

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement.

Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. As at the reporting date, the balance was concentrated among four brokers (2018: three) with S&P's credit ratings between A+ and A- (2018: between A+ and A-). Due to the high credit rating of the brokers, the expected credit losses on these balances are immaterial. The following table details the amounts held by brokers.

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
BNP Paribas	18.4	15.6
ING	16.9	-
UBS AG	11.7	19.1
Bank of America Merrill Lynch	0.1	0.6
	47.1	35.3

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

i. Analysis of Credit Quality (continued)

Equitix

The Fund is exposed to Equitix through a combination of loan notes and equity investment that it holds with respect to this entity. The loans are subordinated to another third-party loan and in the event of bankruptcy or insolvency of Equitix, this may impact the amount that is recoverable with respect to these loans. The maximum aggregate exposure to Equitix is disclosed in Note 5.

Corporate bonds

The Fund has investments in debt securities of US$ 23.7 million (2018: US$ 23.7 million) with Moody's credit rating of Caa2 (2018: Caa2).

CLOs

The Fund's portfolio is partly invested in CLO equity tranches which are subject to potential non-payment risk. The Fund will be in a first loss position with respect to realised losses on the collateral in each CLO investment.

The Investment Manager assesses the credit risk of the CLOs on a look-through basis to the underlying loans in each CLO investment. The Investment Manager seeks to provide diversification in terms of underlying assets, geography and CLO managers. The maximum loss that the Fund can incur on CLOs is limited to the fair value of these CLOs as disclosed in Note 5. The underlying loans are made up of a variety of credit ratings including investment grade and non-investment grade.

The following tables show the concentration of CLOs by region and by manager.

Region	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
United States (including TCI II & III)	339.9	326.3
Europe	-	0.3
	339.9	326.6

Manager	31 Dec 2019	31 Dec 2018
LCM	68%	70%
Other managers	32%	30%
	100%	100%

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

i. Analysis of Credit Quality (continued)

Derivatives

The table below shows an analysis of derivative financial assets and liabilities outstanding at 31 December 2019 and 31 December 2018.

	Derivative assets		Derivative liabilities	
	Fair Value US$ MM	Notional	Fair Value US$ MM	Notional
31 December 2019	11.4	176.7	(37.2)	663.0
31 December 2018	3.5	115.9	(6.8)	522.1

ii. Concentration of credit risk

The Fund's credit risk is concentrated in CLOs, cash and cash equivalents and Equitix through the loan that it has made to that entity. The table below shows a breakdown of credit risk per investment type:

Investment Type	31 Dec 2019	31 Dec 2018
CLOs	44%	43%
Cash and cash equivalents	28%	36%
Equitix loan	10%	12%
Corporate bonds	5%	3%
Amount due from brokers	10%	5%
Other loans and derivatives	2%	1%
Total	100%	100%

None of the Fund's financial assets were considered to be past due or impaired on 31 December 2019 and 31 December 2018.

iii. Collateral and other credit enhancements, and their financial effects

The Fund mitigates the credit risk of derivatives and reverse sale and repurchase agreements through collateral management including master netting agreements.

Derivative transactions are either transacted on an exchange, or entered into under International Derivative Swaps and Dealers Association ("ISDA") master netting agreements. Under ISDA master netting agreements in certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions. The amount of collateral accepted in respect of derivative assets is shown in Note 7(iv).

The Fund's reverse sale and repurchase transactions are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

iii. Collateral and other credit enhancements, and their financial effects (continued)

The table below shows the amount of reverse sale and repurchase agreements.

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Receivables from reverse sale and repurchase agreements	-	133.0

The Fund did not hold any collateral as at 31 December 2019 as there were no reverse sale and repurchase agreements in place. The fair value of collateral as at 31 December 2018 was US$ 139.5 million.

Collateral accepted includes investment-grade securities that the Fund is permitted to sell or repledge. The Fund has not recognised these securities in the Statement of Financial Position.

iv. Offsetting financial assets and liabilities

The Fund has not offset any financial assets and financial liabilities in the Statement of Financial Position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting or similar agreement that covers financial instruments.

31 December 2019

Description	Gross Amount of Recognised Assets/ Liabilities US$ MM	Gross Amounts Offset in the Statement of Financial Position US$ MM	Net Amounts Presented in the Statement of Financial Position US$ MM	Financial instruments eligible for netting US$ MM	Cash collateral held by brokers US$ MM	Net Amount US$ MM
Assets						
ING	0.2	-	0.2	(0.2)	-	-
UBS AG	0.3	-	0.3	(0.3)	-	-
BNP Paribas	10.9	-	10.9	(10.9)	-	-
Total	11.4	-	11.4	(11.4)	-	-
Liabilities						
ING	21.6	-	21.6	(0.2)	(16.9)	4.5
UBS AG	1.3	-	1.3	(0.3)	(1.0)	-
BNP Paribas	14.3	-	14.3	(10.9)	(3.4)	-
Total	37.2	-	37.2	(11.4)	(21.3)	4.5

Note 7 Financial Risks Review (continued)

A) Credit risk (continued)

iv. Offsetting financial assets and liabilities (continued)

31 December 2018

Description	Gross Amount of Recognised Assets/ Liabilities US$ MM	Gross Amounts Offset in the Statement of Financial Position US$ MM	Net Amounts Presented in the Statement of Financial Position US$ MM	Financial instruments eligible for netting US$ MM	Cash collateral held by brokers US$ MM	Net Amount US$ MM
Assets						
UBS AG	2.7	-	2.7	(1.3)	-	1.4
BNP Paribas	0.8	-	0.8	(0.8)	-	-
Total	3.5	-	3.5	(2.1)	-	1.4
Liabilities						
UBS AG	1.3	-	1.3	(1.3)	-	-
BNP Paribas	5.5	-	5.5	(0.8)	(4.7)	-
Total	6.8	-	6.8	(2.1)	(4.7)	-

B) Liquidity risk

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Fund's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Fund's financial assets include some investments which are considered illiquid. These investments include TFG Asset Management, CLO equity tranches, real estate funds and vehicles and unlisted equities. The Fund also holds investments in hedge funds and private equity funds, which are subject to redemption restrictions such as notice periods and, in certain circumstances, redemption gates. As a result, the Fund may not be able to liquidate these investments readily.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The Fund also has access to a revolving credit facility of US$ 150.0 million (2018: US$ 150.0 million). Details of the facility are disclosed in Note 11.

The Fund is not exposed to the liquidity risk of meeting shareholder redemptions as the Fund's capital is in the form of non-redeemable shares.

Note 7 Financial Risks Review (continued)

B) Liquidity risk (continued)

The following were the contractual maturities of non-derivative financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2019	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Greater than 5 years US$ MM	Total US$ MM
Finance costs on borrowings	0.7	1.4	5.8	34.6	-	42.5
Loans and borrowings	-	-	-	150.0	-	150.0
Expenses payable	2.8	34.0	-	-	-	36.8
	3.5	35.4	5.8	184.6	-	229.3
31 December 2018						
Finance costs on borrowings	0.3	0.6	2.4	12.4	-	15.7
Loans and borrowings	-	-	-	38.0	-	38.0
Expenses payable	2.0	17.5	-	-	-	19.5
	2.3	18.1	2.4	50.4	-	73.2

The tables below analyse the Fund's financial derivative instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the financial year end date to the contractual maturity date.

	Inflows				Outflows			
	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM	Within 1 month US$ MM	1 – 3 months US$ MM	3 months – 1 year US$ MM	1 – 5 years US$ MM
31 Dec 2019	-	488.0	3.3	-	-	(509.3)	(3.4)	-
31 Dec 2018	-	426.1	-	-	-	(424.7)	-	-

The Fund manages its liquidity risk by holding sufficient cash and cash equivalents to meet its financial liabilities. Cash and cash equivalents balance as at reporting date and as percentage of NAV is disclosed in the table below:

	31 Dec 2019	31 Dec 2018
Cash and cash equivalents (US$ MM)	133.5	269.8
Percentage of NAV	5.59%	12.32%

C) Market Risk

'Market risk' is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and credit spreads, will affect the Fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective of generating distributable income and capital appreciation.

The Fund employs hedging strategies, from time to time as deemed necessary, to manage its exposure to foreign currency, interest rate and other price risks. The Fund does not apply hedge accounting.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)

i. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The fair value of certain of the Fund's investments may be significantly affected by changes in interest rates. The Fund's investments in leveraged loans through CLOs generate LIBOR plus returns and are sensitive to interest rate levels and volatility. Although CLOs are structured to hedge interest rate risk to some degree through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets of a CLO, which could have a negative effect on the amount of funds distributed to residual tranche holders. In addition, many obligors have the ability to choose their loan base from among various terms of LIBOR and the Prime Rate thereby generating an additional source of potential mismatch. Furthermore, in the event of a significant rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect Fund's cash flow, fair value of its assets and operating results adversely.

Change in interest rates may also affect the value of the Fund's investment in Polygon Convertible Opportunity Fund ("PCOF"). Generally, the value of convertible bonds and other fixed rate instruments will change inversely with changes in interest rates. The investment managers of Polygon manage interest rate risk by, among other things, entering into interest rate swaps and other derivatives as and when required.

The table below shows the sensitivity analysis for interest rates movement on the investment portfolio held by the Fund.

31 December 2019	Fair Value US$ MM	Effects of +100bps change in interest rate on net assets US$ MM	Effects of -100bps change in interest rate on net assets US$ MM
U.S. CLOs 2.0	210.5	10.5	14.7
TCI II	59.0	3.2	2.8
TCI III	70.4	4.6	3.0
PCOF	81.7	(1.5)	1.6
	421.6	16.8	22.1
31 December 2018			
U.S. CLOs 1.0	19.7	-	(0.1)
U.S. CLOs 2.0	237.2	12.7	(11.8)
European CLOs	0.3	-	-
TCI II	65.3	3.5	(3.5)
TCI III	4.2	0.3	(0.3)
PCOF	76.8	(1.3)	1.4
	403.5	15.2	(14.3)

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)

ii. Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in Euro ("EUR"), Sterling ("GBP"), Norwegian Krone ("NOK") and Japanese Yen ("JPY").

Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or financial liabilities denominated in currencies other than USD.

The Fund hedges against its currency risk, mainly by employing forward foreign exchange contracts. The currency exposure is monitored and managed on a daily basis.

Exposure:
At the reporting date, the carrying amount of the Fund's net financial assets and financial liabilities held in individual foreign currencies, expressed in USD and as a percentage of its net assets, were as follows.

The sensitivity analysis sets out the effect on the net assets and profit for the year of reasonably possible weakening of USD against EUR, GBP, NOK and JPY by 5%. The analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2019	Net Monetary and Non-Monetary Assets and Liabilities US$ MM	Forward foreign exchange hedging US$ MM	Net exposure US$ MM	Effect of +/- 5% on exchange rate US$ MM
EUR	83.0	(84.3)	(1.3)	(0.1)
GBP	419.6	(369.2)	50.4*	2.5
NOK	21.4	(21.3)	0.1	-
	524.0	(474.8)	49.2	2.4
31 December 2018				
EUR	78.5	(80.3)	(1.8)	(0.1)
GBP	310.9	(282.6)	28.3*	1.3
NOK	19.2	(19.7)	(0.5)	-
JPY	23.4	(23.6)	(0.2)	-
	432.0	(406.2)	25.8	1.2

A strengthening of the USD against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

*These exposures have arisen primarily due to a delay in timing between determining the year end value of Level 3 investments and executing the relevant currency hedge.

Note 7 Financial Risks Review (continued)

C) Market Risk (continued)

iii. Other Price Risk

'Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or by factors affecting all instruments traded in the market.

The Investment Manager manages the Fund's price risk and monitors its overall market positions on a regular basis in accordance with Fund's investment objectives and policies.

The following table sets out the concentration of the investment assets and liabilities, including derivatives held by the Fund as at the reporting date.

Asset Class	% of net assets as at 31 Dec 2019	% of net assets as at 31 Dec 2018
Investment funds and vehicles	42.2%	36.2%
TFG Asset Management	31.3%	30.2%
CLO equity tranches	8.8%	11.7%
Unlisted stock	11.7%	4.4%
Listed stock	6.3%	4.8%
Corporate bonds	1.0%	1.1%
Contracts for difference	(0.2)%	(0.2)%
Forward foreign exchange contracts and options	(0.9)%	0.1%

The Investment Manager reviews the above percentages on a monthly basis against the limits which are set and reviewed periodically. The table below shows the impact of a positive 1% movement in the price of these investments on the NAV and profits of the Fund. A negative 1% movement will have an equal and opposite effect.

Asset Class	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Investment funds and vehicles	10.1	7.9
TFG Asset Management	7.5	6.6
CLO equity tranches	2.1	2.5
Unlisted stock	2.8	1.0
Listed stock	1.5	1.1
Corporate bonds	0.2	0.2
Contracts for difference	-	-
Forward foreign exchange contracts and options	(0.2)	-

Note 8 Other Receivables and Prepayments

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Other receivables	0.6	6.3
Prepayments	0.2	0.7
Interest receivables	0.2	1
	1.0	8.0

Other receivables and interest receivables are expected to be settled within 12 months.

Note 9 Cash and Cash Equivalents

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Cash and cash equivalents	133.5	269.8
	133.5	269.8

Note 10 Other Payables and Accrued Expenses

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Accrued expenses	36.8	19.5
	36.8	19.5

All other payables and accrued expenses are due within one year.

Note 11 Credit Facility

The Fund has an unsecured US$ 150.0 million revolving credit facility (the "Revolving Credit Facility") with a stated maturity date of 1 October 2022. This stated maturity date will automatically be extended by six months on 1 April and 1 October in each year unless the lender provides a written notice to the Fund withholding consent to such an extension.

The facility is subject to a minimum usage fee which is equivalent to a 4% coupon on 25% of the total notional amount of the facility. In addition, there is a non-usage fee of 1% which is applied to the undrawn notional amount, excluding the notional amount which is subject to the minimum usage fee. Any drawn portion will incur interest at a rate of 1M U.S. LIBOR plus a spread of 4%. For the year ended 31 December 2019, the total finance cost expensed and paid for the facility was US$ 3.5 million (2018 Master Fund: US$ 3.5 million).

During 2019, US$ 112.0 million of additional balance was drawn from the credit facility. As at 31 December 2019, the drawn balance of the credit facility was US$ 150.0 million (2018: US$ 38.0 million).

Note 12 Incentive Fee

The Fund pays the Investment Manager an incentive fee for each calculation period (a period of three months ending on 31 March, 30 June, 30 September and 31 December in each year or as otherwise determined by the Directors) (the "Calculation Period") equal to 25% of the increase in the NAV of the Fund during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of the shares (or other relevant capital adjustments) during such Calculation Period) above the Reference NAV (as defined below) plus the Hurdle (as defined below) for the Calculation Period.

If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

Note 12 Incentive Fee (continued)

The Hurdle for any Calculation Period will equal the Reference NAV (as defined below) multiplied by the Hurdle Rate (as defined below). The Hurdle Rate for any Calculation Period equals 3-month USD LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period, plus the Hurdle Spread of 2.647858% in each case multiplied by the actual number of days in the Calculation Period divided by 365. The Hurdle Rate for Q1 2020 is 4.548108%

The "Reference NAV" is the greater of (i) the NAV at the end of the Calculation Period immediately preceding the current Calculation Period and (ii) the NAV as of the end of the Calculation Period immediately preceding the Calculation Period referred to in clause (i).

For the purpose of determining the Reference NAV at the end of a Calculation Period, the NAV shall be adjusted by the amount of accrued dividends and the amounts of any redemptions or repurchase of the shares (or other relevant capital adjustments) and incentive fees to be paid with respect to that Calculation Period.

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

The incentive fee for the year ended 31 December 2019 was US$ 63.4 million (2018: US$ 47.6 million). As at 31 December 2019, US$ 34.0 million was outstanding (2018: US$ 17.5 million).

Note 13 Share Capital

Authorised

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

Voting Shares

All of the Fund's voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager.

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

Non-Voting Shares

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

Note 13 Share Capital (continued)

Dividend Rights

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

Share Transactions

	Voting Shares No.	Non-Voting Shares* No. MM	Treasury Shares No. MM	Shares held in Escrow No. MM
Shares in issue at 1 January 2018	10.0	90.1	41.3	8.3
Stock dividends	-	1.5	(2.0)	0.5
Issued through release of tranche of escrow shares	-	0.2	-	(0.2)
Issue through exercise of GreenOak options	-	0.7	(0.7)	-
Shares purchased during the year	-	(0.1)	0.1	-
Shares in issue at 31 December 2018	10.0	92.4	38.7	8.6
Stock dividends	-	1.6	(2.2)	0.6
Issued through release of tranche of escrow shares	-	2.7	-	(2.7)
Shares transferred to escrow	-	-	(5.6)	5.6
Shares purchased during the year	-	(4.5)	4.5	-
Shares in issue at 31 December 2019	10.0	92.2	35.4	12.1

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

Optional Stock Dividend

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

During the year a total dividend of US$ 65.2 million (2018: US$ 65.1 million) was declared, of which US$ 44.8 million was paid out as a cash dividend (2018: US$ 47.5 million), and the remaining US$ 20.4 million (2018: US$ 17.6 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares and Share Repurchases

Treasury shares consist of shares that have been bought-back by the Fund from its investors through various tender offers and plans. Whilst they are held by the Fund, the shares are neither eligible to receive dividends nor are they included in the shares outstanding in the Statement of Financial Position.

In January 2019, under the terms of a "modified Dutch auction", the Fund accepted for purchase approximately 4.3 million non-voting shares at an aggregate cost of US$ 50.3 million, including applicable fees and expenses of US$ 0.3 million.

In 2019, the Fund purchased 145,496 shares (2018: 80,518) for US$ 1.8 million (2018: US$ 1.0 million) from TFG Asset Management LP using the then-current share price of US$ 12.35 (2018: US$ 12.10).

Note 13 Share Capital (continued)

Escrow Shares

Equity-based awards

In the fourth quarter of 2015, the Fund bought back approximately 5.6 million of its non-voting shares in a tender offer for US$ 57.4 million (including fees and expenses) to hedge against (or otherwise offset the future impact of) grants of shares under an equity-based long-term incentive plan and other equity awards by TFG Asset Management for certain senior employees (excluding the principals of the Investment Manager).

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

Under IFRS 2, TFG Asset Management is considered to be the settling entity. As the Fund has contributed these shares, the Fund recorded the imputed value of the shares contributed to escrow as credit to share-based compensation reserve in the year in which the shares were acquired for this purpose, with a corresponding debit to the cost of investment in TFG Asset Management.

In July 2019, TFG Asset Management entered in to an employment agreement with Reade Griffith, Director of the Fund, that covers his services to TFG Asset Management for the period through to 30 June 2024. Mr. Griffith is currently the Chief Investment Officer of TFG Asset Management as well as the Chief Investment Officer of its Polygon event-driven European equity strategies (in addition to other roles). Under the terms of this agreement, Mr. Griffith received US$ 9.5 million in cash in July 2019 and will receive the following:

- US$ 3.75 million in cash in July 2020;
- 0.3 million Tetragon non-voting shares in July 2021;
- 2.1 million Tetragon non-voting shares in June 2024; and
- between zero and an additional 3.15 million Tetragon non-voting shares – with the number of shares based on agreed-upon investment performance criteria – vesting in years 5, 6 and 7.

All of the Tetragon non-voting shares, as well as the July 2020 payment, covered by Mr. Griffith's employment agreement are subject to forfeiture conditions. The shares are held in escrow for release upon vesting and are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further shares will be added to the escrow.

As the Fund has the obligation to settle the shares, this award is treated as equity-settled. The fair value of the share award is determined using the share price at grant date of US$ 12.50 (ticker symbol: TFG.NA). The total expense is determined by multiplying the share price at grant date and the estimated number of shares that will vest. The expense is recognised in Statement of Comprehensive Income on a straight-line basis over the vesting period. A corresponding entry is made to the share-based compensation reserve. The following table shows the expense for each tranche up to the year ending 31 December 2024.

Note 13 Share Capital (continued)

Escrow Shares (continued)

Equity-based awards (continued)

Shares estimated to vest (MM)	Vesting date	2019 US$ MM	2020 US$ MM	2021 US$ MM	2022 US$ MM	2023 US$ MM	2024 US$ MM
0.3	30 Jun 2021	0.9	1.9	0.9			
2.1	30 Jun 2024	2.6	5.3	5.3	5.3	5.3	2.6
1.575*	30 Jun 2024*	2.0	3.9	3.9	3.9	3.9	2.0
		5.5	11.1	10.1	9.2	9.2	4.6

*As at 31 December 2019, it is estimated that 1.575 million of the maximum 3.15 million shares will vest according to the agreed-upon investment performance criteria at the end of year 5 with no shares vesting in years 6 and 7. This estimate will be revised at each reporting date and as a result, future expense may be different from the expense presented in the table above.

As at 31 December 2019, 12.1 million (2018: 6.3 million) shares related to TFG Asset Management's employee reward schemes are held in escrow. During the year, 5.6 million shares were transferred to escrow account from Treasury shares and 0.3 million shares (2018: 0.2 million) were released from escrow including stock dividends awarded on the original shares. US$ 2.3 million (2018: US$ 1.7 million) was transferred from share-based compensation reserve to other equity in relation to the original shares. An amount of US$ 0.7 million (2018: US$ 0.5 million) was released against retained earnings, based on the stock reference price at each applicable dividend date. These shares are eligible for stock dividends and during the year, 0.5 million (2018: 0.4 million) shares were allocated to this account.

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the aggregate awards, as determined by the share price on grant date of US$ 12.25 per share, is US$ 0.9 million. The expense will be recognised on a straight-line basis in Statement of Comprehensive Income over the vesting period starting from the year ending 31 December 2020. A corresponding entry will be made to the share-based compensation reserve.

Deferred Incentive fees

The NAV determined in accordance with IFRS includes carrying certain investments in TFG Asset Management businesses at fair value rather than being consolidated, which was how they were treated under U.S. GAAP prior to transitioning to IFRS on 1 January 2015. The result of the foregoing was an increase in NAV and an incentive fee payable of US$ 25.1 million, previously recognised.

The Investment Manager agreed to accept payment of this portion of the incentive fee in the form of shares, which were to be held in escrow until 31 December 2021 or, at the Manager's option, the earlier occurrence of a realisation event with respect to the TFG Asset Management businesses, and subject to a "clawback" mechanism should the NAV of the TFG Asset Management businesses decline at the end of the escrow period or the investment management agreement is terminated. The expense has been recognised in full in the year in which the NAV event occurred through equity and the share-based compensation reserve.

The Board of Directors determined that the merger of GreenOak with Bentall Kennedy (Note 5) satisfied the criteria for a realisation event as per the terms of the arrangement described above. As a result, 2.4 million shares were released from escrow including stock dividends awarded on the original shares. US$ 25.1 million was transferred from share-based compensation reserve to other equity in relation to the original shares. An amount of US$ 4.7 million was released against retained earnings, based on the stock reference price at each applicable dividend date.

Note 13 Share Capital (continued)

Share-Based Compensation Reserve

The balance in share-based compensation reserve is related to the following transactions.

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Equity-based awards	57.1	53.9
Deferred incentive fee	-	25.1
	57.1	79.0

Capital Management

The Fund's capital is represented by the ordinary share capital, other equity, and accumulated retained earnings, as disclosed in the Statement of Financial Position. The Fund's capital is managed in accordance with its investment objective. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of its shares.

Note 14 Dividends

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
Quarter ended 31 December 2017 of US$ 0.1775 per share	-	16.1
Quarter ended 31 March 2018 of US$ 0.1775 per share	-	16.1
Quarter ended 30 June 2018 of US$ 0.1800 per share	-	16.4
Quarter ended 30 September 2018 of US$ 0.1800 per share	-	16.5
Quarter ended 31 December 2018 of US$ 0.1825 per share	16.1	-
Quarter ended 31 March 2019 of US$ 0.1825 per share	16.1	-
Quarter ended 30 June 2019 of US$ 0.1850 per share	16.4	-
Quarter ended 30 September 2019 of US$ 0.1850 per share	16.6	-
	65.2	65.1

The fourth quarter dividend of US$ 0.1875 per share was approved by the Directors on 25 February 2020 and has not been included as a liability in these financial statements.

Note 15 Contingencies and Commitments

The Fund has the following unfunded commitments:

	31 Dec 2019 US$ MM	31 Dec 2018 US$ MM
BentallGreenOak investment vehicles	54.9	97.0
Private equity funds	31.1	18.8
TCI III	14.1	77.6
	100.1	193.4

Note 16 Related-Party Transactions

Investment Manager

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the NAV of the Fund payable monthly in advance prior to the deduction of any accrued incentive fee. An incentive fee may be paid to the Investment Manager as disclosed in Note 12.

Voting Shareholder

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

Directors

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Each of the Directors' annual fee is US$ 125,000 (2018: US$ 125,000) as compensation for service as Directors of the Fund. The Directors have the option to elect to receive shares in the Fund instead of the quarterly fee. With respect to the year ended 31 December 2019, David O'Leary elected to receive shares in lieu of half of his compensation. During the year ended 31 December 2019, he received 3,752 shares (2018: Nil).

On 1 January 2020, the Independent Directors were awarded shares in Tetragon which vest on 31 December 2022 and are subject to forfeiture provisions. The fair value of the award, as determined by the share price on grant date of US$ 12.25 per share, is US$ 300,000 per Independent Director.

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

Reade Griffith, Paddy Dear and David O'Leary – all Directors of the Fund during the year - maintained (directly or indirectly) interests in shares of the Fund as at 31 December 2019, with interests of 13,810,679, 4,750,294 and 3,752 shares, respectively (2018: 12,553,797, 4,210,182 and nil shares, respectively).

It was contractually agreed as part of the acquisition of TFG Asset Management that in addition to Tetragon non-voting shares granted to Reade Griffith (initially 5,539,954 shares) and to Paddy Dear (initially 1,955,291 shares) which vested between 2015 and 2017, any annual compensation actually paid to each of Reade Griffith and Paddy Dear in respect of their employment with the Fund and its subsidiaries in excess of an annual base salary of US$ 100,000 would be promptly returned to the Fund. During the year ended 31 December 2019, total compensation paid to Reade Griffith and Paddy Dear was US$ 50,000 and US$ 100,000 respectively (2018: US$ 100,000 each). For Mr. Griffith, this arrangement has been replaced by the employment agreement described in Note 13.

Subsidiaries

The Fund has entered into share-based employee reward schemes with its subsidiary, TFG Asset Management LP. See Note 13 for details.

Note 16 Related-Party Transactions (continued)

Subsidiaries (continued)

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

TFG Asset Management, through the Service Providers, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to the Investment Manager. TFG Asset Management then charges fees for the services allocated on a cost-recovery basis that is designed to achieve full recovery of the allocated costs. In the year, the amount recharged to the Investment Manager was US$ 19.4 million (2018: US$ 17.6 million) and Polygon Private Investment Partners LP US$ 0.2 million (2018: US$ 0.1 million). During the year ended 31 December 2019, the Fund purchased 145,496 (2018: 80,518) of its own shares from TFG Asset Management for US$ 1.8 million (2018: US$ 1.0 million) using the then-current share price of US$ 12.35 (2018: US$ 12.10).

Reade Griffith and Paddy Dear continue to hold membership interests in Polygon Global Partners LLP (the "U.K. Investment Manager") which collectively entitle them to exercise all of the voting rights in respect of the U.K. Investment Manager.

As part of the acquisition of TFG Asset Management in 2012, Mr. Griffith and Mr. Dear have agreed that they will (i) exercise their voting rights in a manner that is consistent with the best interests of the Fund and (ii) upon the request of the Fund, for nominal consideration, sell, transfer and deliver their membership interests in the U.K. Investment Manager to the Fund.

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

Investments in internally managed funds

The Fund holds various investments in funds managed within TFG Asset Management business. Please see Note 6 for details of these investments and Note 15 for the unfunded commitments related to these funds.

Note 17 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:	Year ended 31 Dec 2019 US$ MM	Year ended 31 Dec 2018 US$ MM
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	288.0	241.5
Weighted average number of shares for the purposes of basic earnings per share	89.5	91.1
Effect of dilutive potential shares:		
Share-based employee compensation – equity-based awards	9.3	6.3
Deferred incentive fee shares	2.0	2.3
Weighted average number of shares for the purposes of diluted earnings per share	100.8	99.7

Note 17 Earnings per share (continued)

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

In respect of share-based employee compensation – equity-based awards, it is assumed that all of the time-based shares currently held in escrow will be released, thereby increasing the weighted average number of shares. The number of dilutive performance-based shares is based on the number of shares that would be issuable if the end of the period were the end of the performance period.

Note 18 Segment information

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

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

All of the Fund's activities are interrelated, and each activity is dependent on the others.

Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

The shares in issue are in US Dollars. The Fund's investment geographical exposure is as follows:

Region	31 Dec 2019	31 Dec 2018
North America	46%	43%
Europe	45%	46%
Asia Pacific	7%	9%
Latin America	2%	2%

Note 19 Subsequent Events

The Directors have evaluated the period up to 25 February 2020, which is the date that the financial statements were approved. The Directors have concluded that there are no material events that require disclosure or adjustment to the financial statement other than the ones mentioned in the relevant notes.

Note 20 Approval of Financial Statements

The Directors approved and authorised for issue the financial statements on 25 February 2020.