TETRAGON

TETRAGON FINANCIAL GROUP LIMITED

PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2014

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TETRAGON FINANCIAL GROUP LIMITED (TFG)
PERFORMANCE REPORT FOR PERIOD ENDED 30 JUNE 2014

31 July 2014

Tetragon Financial Group Limited ("TFG" or the "company") is a Guernsey closed-ended investment company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG."[(1)] In this report we provide an update on TFG's results of operations for the period ending 30 June 2014.

EXECUTIVE SUMMARY AND OUTLOOK

OVERVIEW

TFG achieved a positive operating and financial performance in the first half of 2014. Net economic income was $86.0 million ($0.90 cents of earnings per share), giving an annualised return on equity ("RoE") of 9.5% (just below the company's over-the-cycle target of 10-15% per annum).[(2)] Performance was positive in both the company's business segments, namely the investment portfolio and TFG Asset Management. Before tax, the investment portfolio generated $73.6 million of net economic income before tax ($0.77 of earnings per share) and the asset management businesses generated $16.3 million of net economic income before tax ($0.17 of earnings per share).

The Q2 2014 dividend was declared at 15.5 cents per share, giving a rolling 12-month dividend increase of 13.3%.

Returns were particularly strong in Q2 2014 in our U.S. CLO 1.0 transactions[(3)], where steady underlying performance was supplemented by gains on sales and discount rate reductions, which was a welcome pick up from a somewhat below-average first quarter. The reverse was true in equities, where TFG gave up some of the gains achieved in Q1 2014. TFG Asset Management performed well, with steady AUM growth in all businesses and good fund level performance, which hopefully bodes well for future management and performance fees.

GOALS

Looking at the company's goals:

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

The annualised RoE in the first half of 2014 was 9.5%.

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

The amount of TFG's capital that paid fees to external managers at the end of Q2 2014 was 40.1%, down from 53.4% at the end of 2013.[(5)]

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

Assets under management ("AUM") at 30 June 2014 stood at $10.5 billion, up from $9.2 billion at 2013 year-end.(6)

TFG Asset Management's fee income (including potential hedge fund performance fees that don't crystallise until year end) was $37.7 million, up 17.1% on the same period last year.(7)

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

No new businesses were added in H1 2014, but the Polygon(i) distressed business established in 2013 continues on plan, and several new businesses remain under active consideration.

OUTLOOK

Although the first half results are slightly below our over-the-cycle target, as we have said previously, this might be expected in the current low LIBOR environment. Thus, over the short term, we do not see any material changes as we enter the second half of the year. However, we remain cautiously optimistic for the longer term. The company's portfolio of investments is becoming more diversified and many of its investments are hedged to broad market moves and thus are hopefully less susceptible to the vagaries of market indices. Furthermore, all of TFG Asset Management's contributors – Polygon, LCM(ii), and the joint venture with GreenOak(iii)– are performing and growing strongly, and thus TFG's strategy of having an investment portfolio and owning asset management businesses in tandem is progressing well.

INVESTOR DAY

TFG will host its annual investor day in London on 10 September 2014. The event will also be webcast live. The presentations are expected to review TFG's business model, its investment portfolio and its asset management businesses. Further details regarding registration and the agenda will be published closer to the date of the event.

(i) Polygon Global Partners LP and Polygon Global Partners LLP and certain of their affiliates, hereinafter referred to in this report as "Polygon."

(ii) LCM Asset Management LLC, hereinafter referred to in this report as "LCM."

(iii) GreenOak Real Estate, LP, hereinafter referred to in this report as "GreenOak."

KEY METRICS

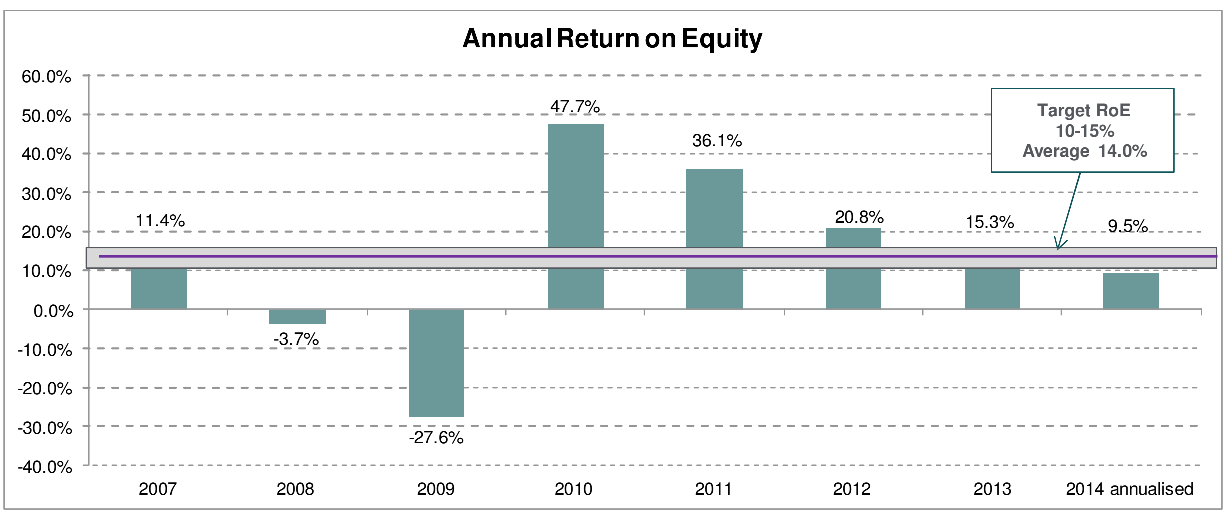
KEY METRICS

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

EARNINGS - RETURN ON EQUITY ("RoE")

- Year to date RoE(8) of 4.8% (9.5% annualised) brings performance slightly below TFG's over-the-cycle target of 10-15% per annum.(9)
- TFG generated Net Economic Income(10) of $86.0 million in the first half of 2014, a fall of 13.6% versus the same period in 2013.
- H1 2014's earnings were particularly affected by six factors:
    - Significant realised gains, mainly as a result of the sale of eight CLO positions during Q2 2014 at values at or above where TFG was carrying them.
    - Unrealised gains on CLO investments as the discount rates used for U.S. CLO 1.0 and European deals were reduced in response to observable data.
    - A continuing reduction in interest income as the CLO portfolio continued to amortise or was sold.
    - Unrealised losses primarily on equity swap positions held on TFG's balance sheet as strong Q1 2014 performance was given back in Q2 2014.
    - Continued AUM growth in TFG Asset Management which led to healthy increases in both management fees and unrealised performance fees. TFG Asset Management contributed approximately $17.8 million of EBITDA equivalent (see Figure 11) in the first half of 2014, an increase of 11.9% over the same period in 2013. In addition, an unrealised write up of TFG's 23% stake in the GreenOak business contributed to TFG Asset Management's below the EBITDA line profits.
    - Realised and unrealised gains generated by TFG's investment in GreenOak-managed real estate assets.

Figure 1

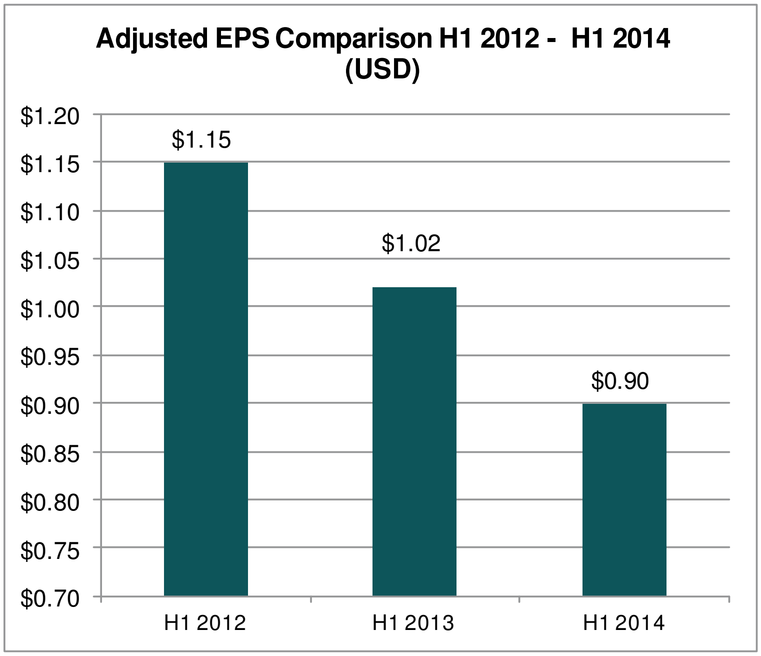


KEY METRICS

EARNINGS PER SHARE

- TFG generated an Adjusted EPS[11] of $0.90 during H1 2014 (H1 2013: $1.02).

Figure 2



KEY METRICS

EARNINGS PER SHARE (continued)

- The further recalibration of discount rates used in modelling the fair value of the U.S. CLO 1.0 and European CLO portfolios, largely in response to sustained reductions in observed risk premia, added approximately $0.27 of EPS out of the $1.00 year-to-date EPS attributable to CLOs, before hedges.
- European CLOs continued their recovery, albeit at a less dramatic rate than was seen in H1 2013.
- Investments in Polygon funds across all asset classes made strong contributions to EPS in H1 2014, although certain direct equity investments, in particular, experienced volatility in Q2 2014, generating unrealised losses which, if our investment theses plays out, we would expect to reverse in the future.
- Real estate contributed $0.11, due to investment performance on the underlying GreenOak funds and investments.

Each of these business dynamics is discussed in more detail later in the report.

Figure 3

TETRAGON FINANCIAL GROUP TFG Earnings per Share Analysis (H1 2013 - H1 2014)		
	H1 2014	**H1 2013**
Investment portfolio segment		
U.S. CLO 1.0	$0.74	$0.74
U.S. CLO 2.0	$0.12	$0.11
European CLOs	$0.14	$0.39
U.S. Direct Loans	$0.01	$0.02
Hedges	($0.08)	$0.05
Polygon Equity Funds	$0.12	$0.01
Polygon Credit, Convertibles & Distressed Funds	$0.11	$0.01
Other Equities, Credit, Convertibles, Distressed	($0.07)	-
Real Estate	$0.11	$0.02
FX and Options	($0.02)	($0.02)
Expenses	($0.41)	($0.39)
Net EPS investment portfolio	**$0.77**	**$0.94**
Asset Management Segment - TFG AM	**$0.17**	**$0.11**
Corporate Income taxes	($0.04)	($0.03)
Adjusted EPS	**$0.90**	**$1.02**
Weighted Average Shares (millions)(i)	96.0	98.0

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

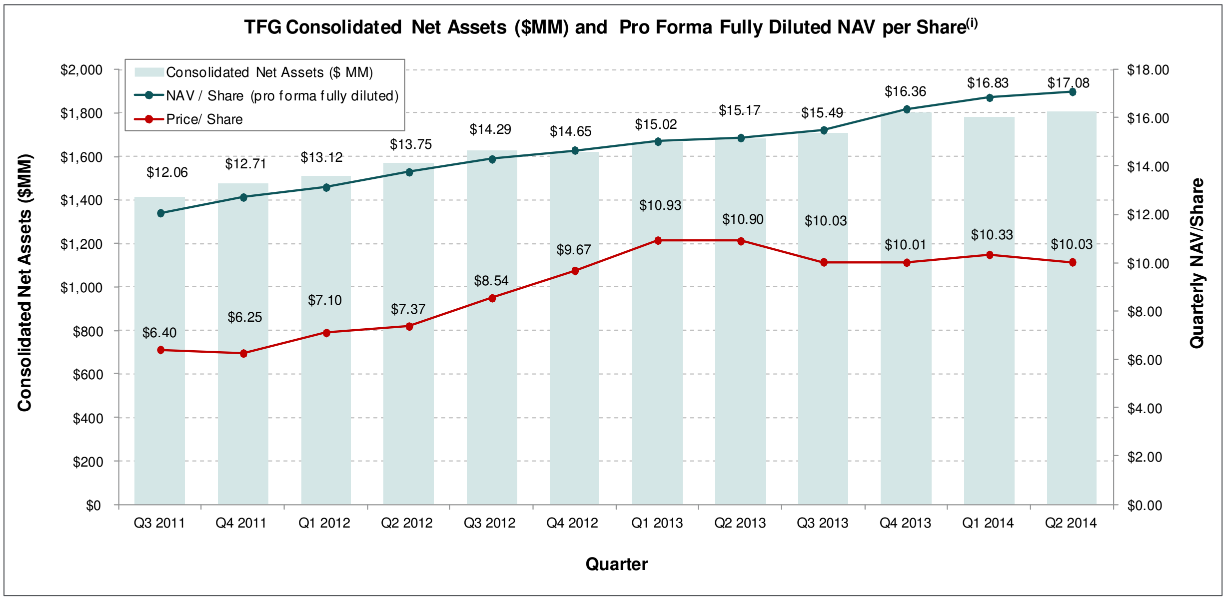
KEY METRICS

NAV PER SHARE

Pro Forma Fully Diluted NAV per Share ended the quarter at $17.08.

- Total NAV increased to $1,808.5 million which equated to Pro Forma Fully Diluted NAV per Share(12) of $17.08, another historic high for TFG.

Figure 4



(i) Pro Forma Fully Diluted NAV per share based on TFG's financial statements as of the relevant quarter-end date; TFG's closing share price data as per Bloomberg as of the last trading day of each quarter. Please note that the Pro Forma Fully Diluted NAV per Share reported as of each quarter-end date excludes any shares held in treasury or in a subsidiary as of that date, but includes (1) shares held in escrow, which are expected to be released and incorporated into the U.S. GAAP NAV per Share over a five-year period, and (2) the number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO.

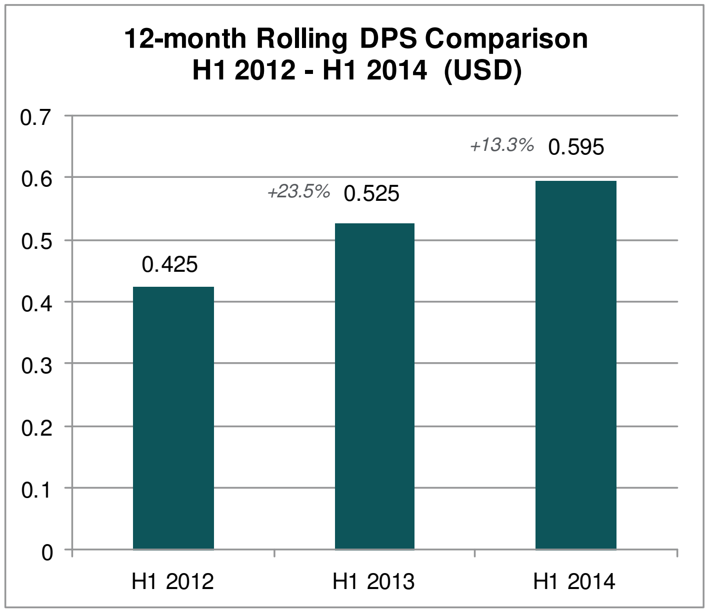
KEY METRICS

DISTRIBUTIONS

Dividends per Share ("DPS"): TFG declared a Q2 2014 DPS of $0.155, up from $0.15 in Q1 2014. On a rolling 12-month basis, the dividend of $0.595 represents a 13.3% increase over the preceding four quarters.

- TFG continues to pursue a progressive dividend policy with a target payout ratio of 30-50% of normalised earnings, recognising the long-term target RoE of 10-15%.[13] The Q2 2014 DPS of $0.155 brings the cumulative DPS since TFG's IPO to $3.13.
- In the most recent quarterly dividend paid, approximately 6.9% of shareholders elected to take shares rather than cash, pursuant to the company's optional stock dividend program. In addition, holders of escrow shares received in connection with the Polygon transaction also receive dividends on such shares in the form of TFG stock in lieu of cash dividends.

Figure 5



CASH FLOWS & USES OF CASH

CASH FLOWS & USES OF CASH

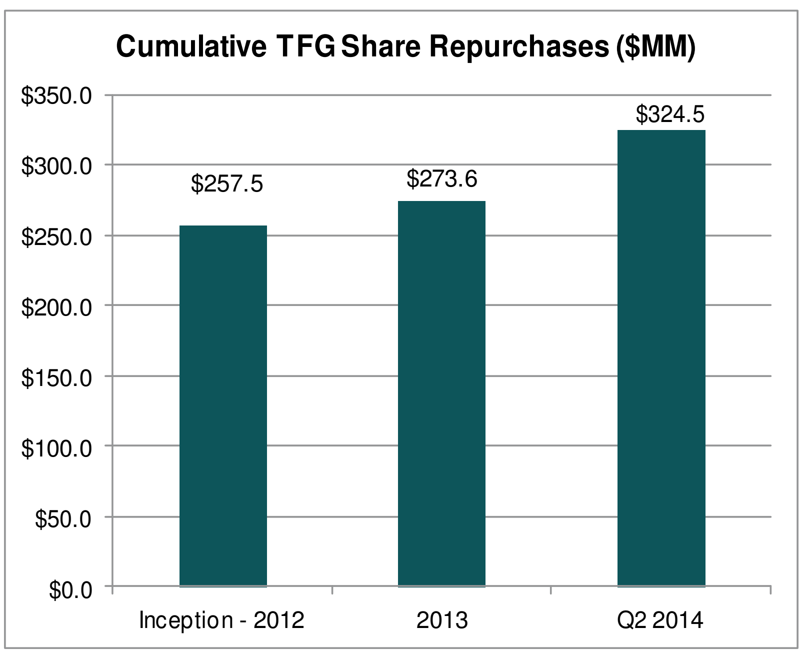
CASH FLOWS AND USES OF CASH

TFG's cash flows from operations decreased by 28.1% in the first half of 2014 compared with the same period of 2013, to $131.8 million. Cash flows generated by the CLO portfolio continued to be the primary source of operating cash although at $193.3 million, they decreased by 18.7% compared to the same period in 2013. This reflected, among other things, the deleveraging of much of the U.S. CLO 1.0 portfolio as well as the sale of some deals, both of which are discussed further in the investment portfolio section.

TFG took advantage of a buoyant level of market interest in CLO equity during Q2 2014 to sell $153.1[(14)] million of CLO equity interests at or above their carrying value. Sales were focused mainly on U.S. CLO 1.0 deals, but also included a European deal. TFG also invested $63.6 million into the equity tranches of new CLO issues in the first half of 2014, a 39.8% increase on the equivalent prior period, as LCM closed two significant deals during the period. TFG's investments in other asset classes – specifically equities, credit and convertible bonds primarily via Polygon-branded in-house managed funds – remained broadly unchanged in Q2 2014. TFG received distributions from certain GreenOak-managed vehicles following the sale of certain real estate assets in Japan and the United States, but overall, made net investments into real estate vehicles of $23.4 million during the period.

TFG's direct loan portfolio was reduced further in H1 2014, with the year to date net cash flows from net sales of loans totalling $11.1 million. TFG utilised $27.3 million to pay cash dividends net of stock dividends in the first half of the year compared with $24.1 million in the equivalent period in 2013. No further share buybacks were undertaken in Q2 2014 to add to the tender offer conducted in Q1 2014, which resulted in a cash outflow of $50.9 million, including applicable fees and expenses.

Figure 6



At the end of Q2 2014, TFG's investible cash balance was $225.7 million, approximately 12.5% of net assets, a slight increase as a percentage compared with the balance at the end of 2013.

TFG'S BUSINESS SEGMENTS

INVESTMENT PORTFOLIO

&

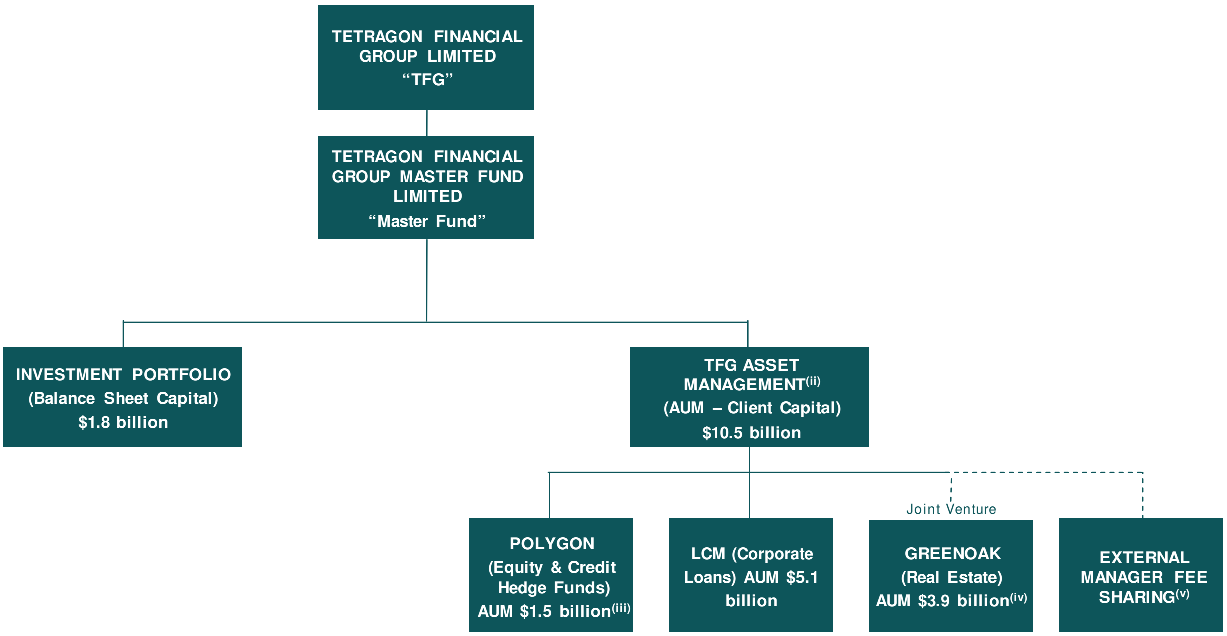
TFG ASSET MANAGEMENT

TFG'S BUSINESS SEGMENTS

TFG STRUCTURE OVERVIEW

TFG owns 1) an investment portfolio of $1.8 billion of financial assets and 2) TFG Asset Management, a global alternative asset management business with $10.5 billion of client assets under management. Investors may find the below chart useful to better understand the company's structure.

Figure 7(i)



(i) This chart is a simplification of TFG's corporate structure and governance. Further information on the organisational structure and corporate governance of TFG can be found at www.tetragoninv.com.

(ii) AUM for TFG Asset Management includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

(iii) AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Distressed Opportunities Master Fund and Polygon Global Equities Master Fund, as calculated by the applicable fund administrator at 30 June 2014. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

(iv) Includes investment funds and advisory assets managed by GreenOak Real Estate, LP (a separately registered investment adviser with the U.S. Securities and Exchange Commission) at 30 June 2014. TFG owns a 23% stake in GreenOak.

(v) TFG currently receives asset management fee income derived from a number of one-off and long-term fee sharing arrangements with third-parties.

INVESTMENT PORTFOLIO

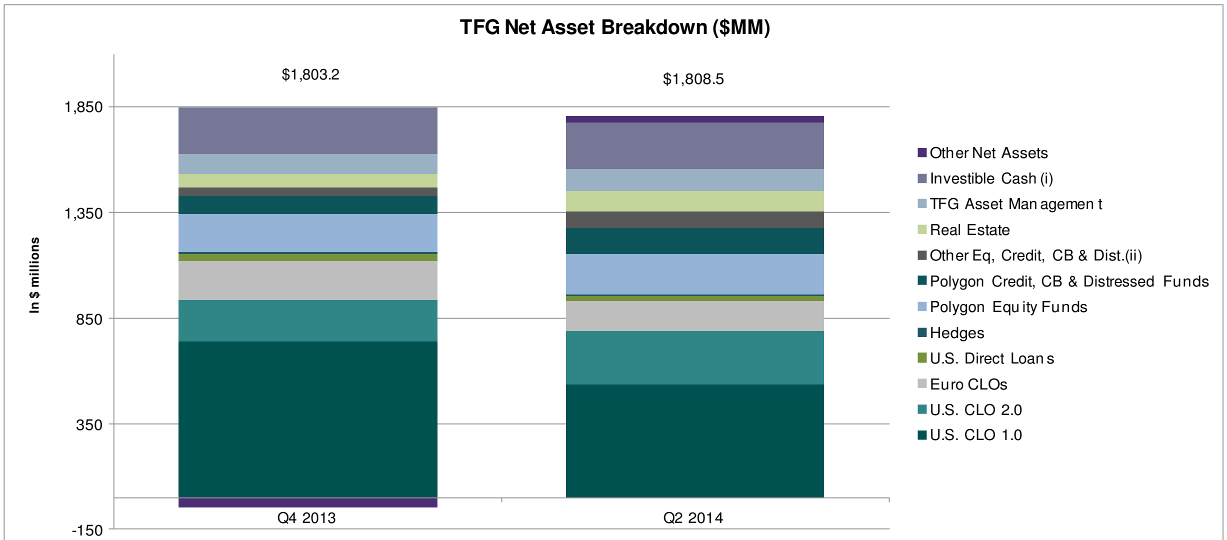
INVESTMENT PORTFOLIO OVERVIEW

TFG's investment portfolio posted positive overall performance during the first half of 2014 (details in Figure 9). Corporate Loan investments (primarily accessed via CLO equity) had a good second quarter, picking up from a slow first quarter. Polygon-managed equity funds gave back a small amount in Q2 2014 after a very strong Q1, as did other equity trades on the balance sheet. Polygon-managed convertible and distressed funds had a strong Q2 following on from a good Q1. The real estate assets also had a strong first half to the year.

PORTFOLIO COMPOSITION AND OUTLOOK

TFG's net assets totaled $1,808.5 million at the end of Q2 2014. The following chart shows the composition of TFG's net assets by asset class for Q2 2014 and Q4 2013.

Figure 8



(i) Investible Cash consists of: (1) cash held directly by Tetragon Financial Group Master Fund Limited, (2) excess margin held by brokers associated with assets held directly by Tetragon Financial Group Master Fund Limited, and (3) cash held in certain designated accounts related to TFG's investments, which may only be used for designated purposes without incurring significant tax and transfer costs.

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

INVESTMENT PORTFOLIO

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

Figure 9

Asset Type	H1 2014 Net Assets (in $MM)	Income[iv] in H1 2014 (in $MM)
U.S. CLO 1.0[i]	$535.9	$71.2
U.S. CLO 2.0[i]	$252.3	$11.4
European CLOs	$145.1	$13.2
U.S. Direct Loans	$24.7	$0.6
Hedges[ii]	$4.5	($7.6)
Polygon Equity Funds	$192.6	$11.5
Polygon Credit, Convertibles & Distressed Funds	$120.2	$11.0
Other Equities, Credit, Convertibles & Distressed[iii]	$84.4	($6.9)
Real Estate	$95.1	$10.2

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

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

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

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

INVESTMENT PORTFOLIO

CORPORATE LOANS

TFG's exposure to the corporate loan asset class (whether held directly or indirectly via CLO equity investments) remained diversified, and at the end of Q2 2014 comprised 76.3% in U.S. broadly-syndicated senior secured loans, 8.5% in U.S. middle-market senior secured loans and 15.2% in European senior secured loans.(15)

TFG's CLO equity investments, which comprise the majority of its exposure to corporate loan assets, represented indirect exposure to approximately $12.6 billion par value of underlying collateral.(16)

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

U.S. CLO 1.0

As of the end of Q2 2014, TFG held 44 U.S. CLO 1.0 equity investments and one investment in the debt tranche of a U.S. CLO 1.0 transaction.(17) All U.S. CLO 1.0 holdings were passing their junior -most O/C tests as of the end of the second quarter.(18)

During Q2 2014, the company sold seven equity tranche investments in U.S. CLO 1.0 transactions. We believe that the sales prices achieved were attractive taking into account, among other factors, the deals' expected future returns, as well as collateral-related risks of increased concentration and market value volatility upon liquidation. TFG may look to sell additional U.S. CLO 1.0 positions in the future as we continue to evaluate the expected risk/reward profile of those investments and alternate uses of our capital.

Earnings were also enhanced by the reduction of discount rates applied to the future projected cash flows of TFG's U.S. CLO 1.0 and European CLOs (see Appendix II "Fair Value Determination of TFG's CLO Equity Investments" for additional details).

Aside from the aforementioned asset sales, the wind-down pace of TFG's U.S. CLO 1.0 portfolio accelerated during the quarter, reflecting both loan repayments and certain managers' asset sales taking advantage of strong loan market conditions. During Q2 2014, one of TFG's earliest U.S. CLO 1.0 investments was successfully liquidated with net portfolio proceeds distributed to equity holders. As of the writing of this report, a number of TFG's U.S. CLO 1.0 transactions are at various stages of their unwind processes. We expect this segment to continue to amortise over the following quarters both via structural de-leveraging and equity investor or manager-directed optional redemptions.

INVESTMENT PORTFOLIO

U.S. CLO 2.0

As of the end of Q2 2014, TFG held 13 equity investments in U.S. CLO 2.0 deals, up from 12 investments at the end of Q1 2014, as TFG took a majority equity investment in a new LCM-managed CLO. All of TFG's U.S. CLO 2.0 transactions were in compliance with their junior-most O/C tests as of the end of Q2 2014.[19]

Despite the fact that the CLO equity arbitrage environment remains challenging due to relatively tight corporate loan spreads and stagnant CLO liability funding costs, we continue to believe that CLO 2.0 equity investments in deals managed by LCM offer attractive risk-adjusted returns as fees generated by LCM on third-party capital managed within the CLOs increase TFG's blended return on invested capital.

As stated in our Q1 2014 quarterly report, TFG successfully refinanced all of the debt tranches of LCM X in April 2014. Since then, the company has begun work on additional refinancing opportunities, which may lead to lower debt financing costs of other CLO 2.0 investments and therefore potentially increase the returns of TFG's equity tranche investments.

EUROPEAN CLOs

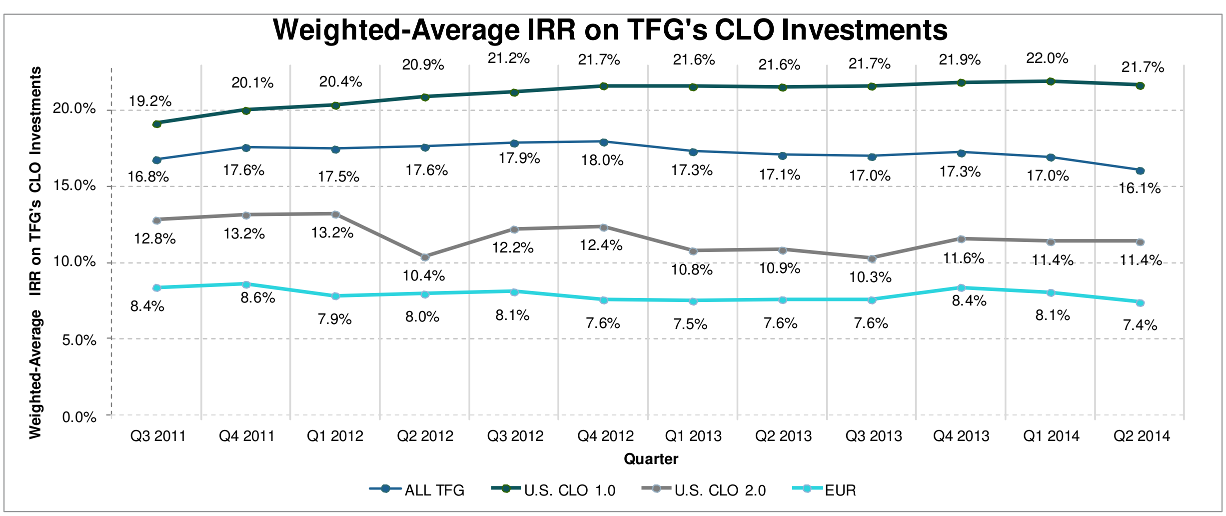
As of the end of Q2 2014, TFG held equity investments in nine European CLOs, compared to 10 in the Q1 2014 due to the sale of one transaction during the quarter. Similar to the sales of our U.S. CLO 1.0 deals, we believe the sale of this European CLO investment was made at an attractive price relative to our expectations of future returns. TFG may look to sell additional European CLO investments in the future as the company continues to assess alternate uses of its capital.

As above, earnings were also enhanced by the reduction of discount rates applied to the future projected cash flows of TFG's European CLOs (see Appendix II "Fair Value Determination of TFG's CLO Equity Investments" for additional details).

As of the end of Q2 2014, all of TFG's European CLO investments were passing their junior-most O/C tests.[20]

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

Figure 10



INVESTMENT PORTFOLIO

DIRECT LOANS

TFG's direct loan portfolio performed well during Q2 2014, although its size was reduced to $24.7 million as a number of underlying loans were repaid, refinanced, or sold. The credit quality of this portfolio remained stable during the quarter and there continued to be no defaults. In the short term, the company does not expect to allocate additional capital to this strategy due to the existence of what we believe are more attractive alternative uses of company funds.

POLYGON EQUITY FUNDS

As of the end of Q2 2014, TFG had $192.6 million invested in Polygon-managed equity hedge fund products. Performance in all of these strategies was positive in H1 2014. Further details on performance can be found in the TFG Asset Management section of this report and in Figure 15.

POLYGON CREDIT, CONVERTIBLE & DISTRESSED FUNDS

All investments delivered positive returns for the quarter. Of note was the performance of the Polygon convertible strategy, which benefited from its more idiosyncratic return profile. During H1 2014, the strategy returned 12.6% net in its flagship A share class.(21) TFG invests in Polygon funds on preferential fee terms.

OTHER EQUITY, CREDIT, CONVERTIBLE AND DISTRESSED

TFG also invests directly in equities, convertible bonds and credit instruments. Some of these opportunities have arisen in part from TFG's ownership of Polygon and resulting access to new opportunities. TFG may invest in opportunities directly from its balance sheet rather than through, for example, investments in other funds or collective investment schemes, when it sees an opportunity that fits its investment criteria, particularly where our structuring ability and the company's long duration capital may give it a potential investment advantage. In some cases, TFG may also have exposure to the investment indirectly through fund investments. TFG experienced losses in Q2 2014 after a profitable Q1 2014 in this segment of its portfolio.

REAL ESTATE

During H1 2014, TFG registered $10.2 million of net income from GreenOak-managed real estate funds and vehicles. Although TFG made additional investments in the quarter into certain funds (with the bulk of new investments occurring in Japan-focused funds), TFG saw a significant amount of capital returned across all of the geographies (the United States, Europe, and Japan), reflecting the profitable sales of certain underlying assets.

HEDGING ACTIVITY AND OTHER MATTERS

TFG had no direct credit hedges in place at the end of Q2 2014, but employed certain foreign exchange rate and "tail risk" interest rate hedges to seek to mitigate its exposure to Euro-USD foreign exchange risk and a potential significant increase in inflation and/or nominal interest rates in the United States, respectively. These hedges lost money during H1 2014. TFG reviews the hedging strategy on an ongoing basis as the company seeks to address identified risks to the extent practicable and in a cost-effective manner.

TFG ASSET MANAGEMENT

OVERVIEW

TFG Asset Management comprises the fee income-generating areas of TFG's portfolio: management and performance fees from related and external asset managers.(22)

The three related asset management businesses, LCM, Polygon and the GreenOak joint venture, continued to perform well through the end of June 2014.

UPDATE ON KEY METRICS

- **Performance of the underlying strategies:** performance of the various strategies managed by TFG Asset Management's business segments remained strong in the first half of 2014.
- **Gross revenues:** composed primarily of management and performance fees from clients, totalled $33.0 million in H1 2014. If one includes the unrealised performance fees within the Polygon hedge funds (which may only crystallise at year end) then total fee income is $37.7 million versus $32.2 million for the same period last year.(23) As with 2013, the Q2 2014 fee income line was boosted by certain performance and management fees which are periodic in nature. From a quality of earnings perspective, we are pleased that the recurring management fees have grown strongly as a percentage of the total fee income.
- **"EBITDA equivalent"** (as described below): totalled $17.8 million in H1 2014, versus $15.9 million in H1 2013.

Figure 11

TETRAGON FINANCIAL GROUP TFG Asset Management Statement of Operations H1 2014 vs. H1 2013		
	H1 2014 $MM	**H1 2013 $MM**
Fee income(i)	33.0	30.7
Unrealised Polygon performance fees(ii)	4.7	1.5
Interest income	0.1	0.1
Total income	**37.8**	**32.3**
Operating, employee and administrative expenses(i)	(20.0)	(16.4)
Net income - "EBITDA equivalent"	**17.8**	**15.9**
Unrealised gain on asset management stake(iii)	5.7	-
Performance fee allocation to TFM	(3.8)	(2.0)
Amortisation expense on management contracts	(3.4)	(3.4)
Net economic income before taxes	**16.3**	**10.5**

(i) Nets off cost of recovery on "Other fee income" against this cost contained in "Operating, employee, and administrative expenses." Operating costs also removes amortisation from the U.S. GAAP segmental report. Fee income includes amounts earned through third-party fee sharing arrangements. It also includes any fees earned through fees paid on investments made by TFG in Polygon hedge funds or other investment vehicles. TFG is able to invest at a preferred level of fees.

(ii) Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining NAV at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There are can be no assurance that the company will realise all or any portion of such amounts. Through 30 June 2014, this amount equalled $4.7 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $2.5 million as shown in Figure 11 and further represented in Figures 18 and 19 of this report. It also includes any unrealised performance fees to potentially be paid on investments made by TFG in Polygon hedge funds or other investment vehicles. TFG is able to invest at a preferred level of fees.

(iii) Unrealised gain generated by a recalibration of the fair value of the 23% stake held in GreenOak. For accounting purposes TFG treats this stake as an investment carried at fair value rather than consolidating the underlying net assets and net income of this business.

TFG ASSET MANAGEMENT

ASSET MANAGEMENT BUSINESSES

AUM for LCM, Polygon and the GreenOak joint venture are shown below at 30 June 2014.

Figure 12

Summary of TFG Asset Management AUM ($BN)		
Business	**30 June 2014**	**31 March 2014**
LCM	**$ 5.1**	**$ 4.9**
GreenOak (i)	**$ 3.9**	**$ 4.1**
Polygon (ii)	**$ 1.5**	**$ 1.4**
Total	**$ 10.5**	**$ 10.4**

(i) Includes funds and advisory assets managed by GreenOak Real Estate, LP, a separately registered investment adviser with the U.S. Securities and Exchange Commission. TFG owns a 23% interest in GreenOak.

(ii) AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund, and Polygon Distressed Opportunities Master Fund, as calculated by the applicable fund administrator. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited.

On the following pages are some brief updates on each of TFG Asset Management's businesses.

TFG ASSET MANAGEMENT

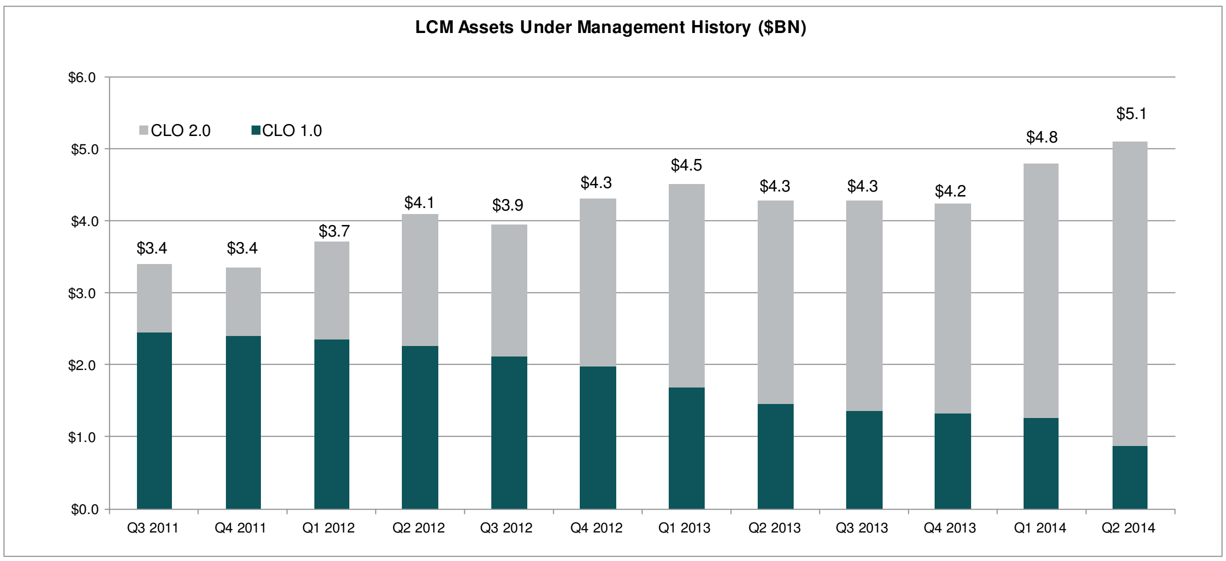
LCM

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

LCM continued to perform well in Q2 2014, with all of LCM's Cash Flow CLOs[(24)] that were still within their reinvestment periods continuing to pay senior and subordinated management fees.

At 30 June 2014, LCM's total CLO loan assets under management stood at approximately $5.1 billion. During H1 2014, the following activity occurred: LCM XV, a $624.0 million CLO, closed on 25 February 2014; LCM XVI, a $725.6 million CLO priced on 13 May 2014, and was the largest deal issued by LCM to date. LCM III was redeemed during H1 2014 and has no assets or notes outstanding. LCM managed 12 CLOs at 30 June 2014.

Figure 13



TFG ASSET MANAGEMENT

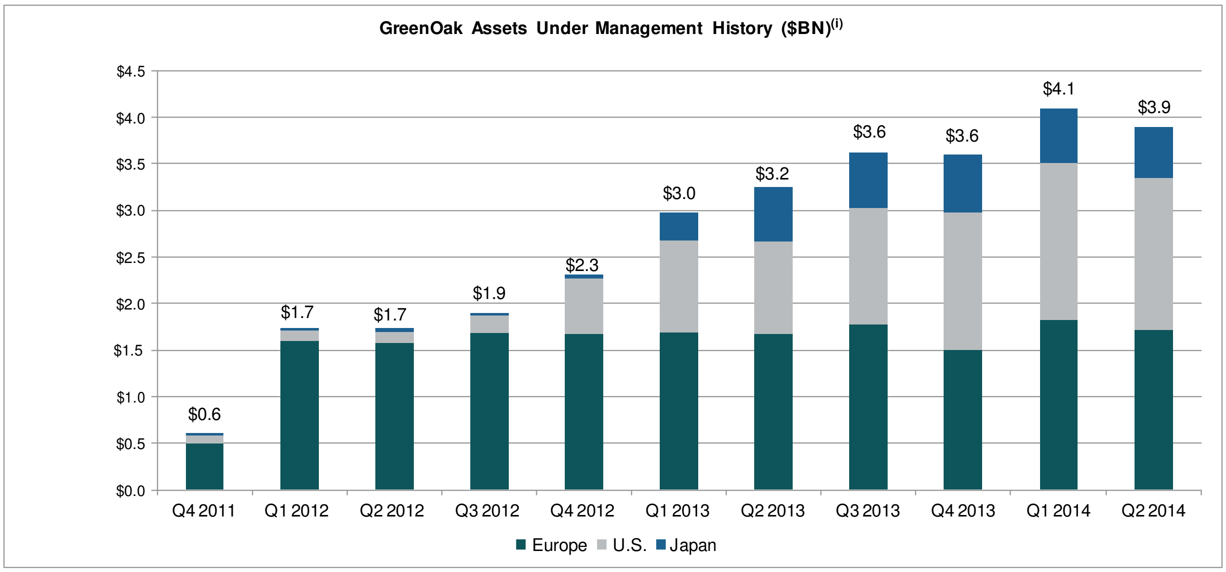
GREENOAK JOINT VENTURE

GreenOak is a real estate-focused principal investing and advisory firm established in 2010. The Principals and Founders are John Carrafiell, Sonny Kalsi and Fred Schmidt.

During H1 2014, GreenOak continued to execute on its strategy with respect to its funds and its advisory assignments on behalf of select strategic clients with mandates in Europe, Japan and the United States. In particular, its second U.S. Fund is currently raising capital ahead of its target amount and potentially may be completed near the end of this summer.

At 30 June 2014, assets under management totalled approximately $3.9 billion.

Figure 14



(i) Assets under management include all third-party interests and total projected capital investment costs.

TFG ASSET MANAGEMENT

POLYGON

Total AUM for the Polygon funds was approximately $1.5 billion at 30 June 2014. The strategies all had positive returns in H1 2014 and two of the strategies now have a five-year track record since inception. AUM in the open hedge fund strategies rose to approximately $1.1 billion, an increase of 27.9% compared to the AUM in these vehicles at 31 December 2013.

Figure 15

Summary of Polygon Funds Assets Under Management ($ MM)			
Fund	**30 Jun 2014**	**2014 Net Performance**	**Annualised Net LTD Performance**
European Event-Driven Equity(i)	**$ 542.3**	**6.8%**	**14.8%**
Convertibles(ii)	**$ 381.9**	**12.6%**	**21.2%**
Mining Equities(iii)	**$ 69.7**	**4.3%**	**4.1%**
Distressed Opportunities(iv)	**$ 79.0**	**7.7%**	**14.6%**
Other Equity(v)	**$ 21.1**	**11.7%**	**18.0%**
Total AUM - Open Funds	**$ 1,094.0**		
Private Equity Vehicle(vi)	**$ 428.9**	**0.1%**	**5.6%**
Total AUM	**$ 1,522.9**		

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

(ii) The fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009. Class A shares of the fund were first issued on 1 April 2010 and returns from inception through March 2010 have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee over a hurdle and other items, in each case, as set forth in the Offering Memorandum). AUM figure and net performance is for the Polygon Convertible Opportunity Master Fund as calculated by the applicable fund administrator.

(iii) The fund began trading with Class B1 shares, which carry no incentive fees, on 1 June 2012. Returns through October 2013 have been *pro forma* adjusted to account for a 2.0% management fee, a 20% incentive fee, and non trading expenses capped at 1%, in each case, as set forth in the Offering Memorandum. Class A1 shares of the Fund were first issued on 1 November 2013. From November 2013, forward, performance reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. AUM figure and net performance is for the Polygon Mining Opportunity Master Fund as calculated by the applicable fund administrator.

(iv) The fund's inception was on 2 September 2013. Returns shown are for Class A shares reflecting the terms set forth in the offering documents (2.0% management fee, 20% incentive fee and other items, in each case, as set forth in the offering documents). AUM figure and net performance is for the Polygon Distressed Opportunities Master Fund as calculated by the applicable fund administrator.

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

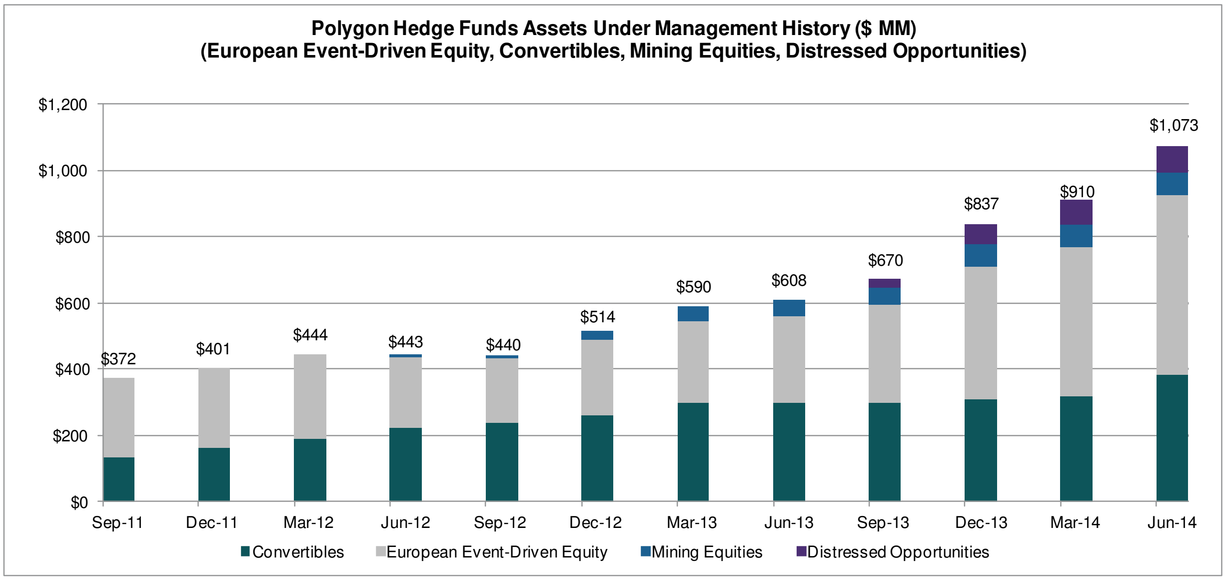
(vi) The Private Equity Vehicle noted above is the Polygon Recovery Fund L.P. ("PRF"). The manager of the PRF is a subsidiary of TFG having been acquired in the Polygon transaction. The management fees earned in respect of PRF are included in the TFG Asset Management business segment described herein. PRF is a limited-life vehicle seeking to dispose of its portfolio securities prior to its initial term expiring in the first half of 2015 – with two additional one-year terms based on performance or investor approval. Individual investor performance will vary based on their high water mark. Currently the majority of Class C share class investors have not reached their high water mark, so their performance is the same as their gross performance. AUM figure and net performance is for PRF as calculated by the applicable fund administrator.

Note: The AUM noted above includes investments in the relevant strategies by TFG, other than in respect of the Private Equity Vehicle, where there is no such investment. The Private Equity vehicle, at the time of the Polygon transaction and currently, remains a closed investment strategy. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown.

TFG ASSET MANAGEMENT

POLYGON (continued)

Figure 16(i)



(i) All values are as calculated by the applicable fund administrators for value date 30 June 2014.

Convertibles: Polygon's convertible strategy invests primarily in convertible securities in Europe and North America and is led by CIO Mike Humphries. During the first half of 2014, the portfolio performed strongly with year-to-date net performance through the end of June 2014 at 12.6%. Annualised net performance since inception in May 2009 has been 21.2%.[25]

Year to date, the portfolio has been able to generate returns through idiosyncratic event-driven trades in the book despite the continuing richness of the broader convertible universe. The portfolio managers believe that there are still many attractive opportunities in these off-the-run names in which they specialize.

Assets under management in this strategy were $381.9 million at 30 June 2014.

European Event-Driven Equities: This strategy invests primarily in the major European equity markets, with an Event-Driven focus. Reade Griffith is the CIO.

The portfolio has continued to benefit in 2014 with the stabilisation of European markets and increased corporate activity. The portfolio managers believe that these trends, and improving capital flows to Europe, should continue to create a healthy opportunity set for the strategy for the rest of this year. A renewed interest in the region has also led to new investments into the product from third-party institutional investors. Year-to-date through 30 June 2014, the strategy has returned 6.8%; annualised performance from inception in July 2009 is 14.8%.[26]

Assets under management for the strategy were $542.3 million at 30 June 2014.

TFG ASSET MANAGEMENT

POLYGON (continued)

Mining Equities: This strategy is led by Mike Humphries and Peter Bell, and focuses primarily in the equities of global mining companies, many of them based on gold.

The strategy posted returns of 4.3% year-to-date through 30 June 2014. The portfolio continues to be long exploration and resource growth-oriented names and short producers of lower-quality gold deposits. Annualised performance from inception through to the end of June 2014 was 4.1%.[(27)]

Assets under management for the strategy at the end of June 2014 were $69.7 million.

Distressed Opportunities: This strategy is led by Olivier Blechner, and focuses on opportunities in companies undergoing, or about to undergo, balance sheet restructuring. The strategy was launched in September 2013. The team continues to build its portfolio and performance track record. Year-to-date through 30 June 2014, the strategy has returned 7.7%.[(28)]

Assets under management for the strategy at the end of June 2014 were $79.0 million.

Other Equities: These investments have returned 11.7% net performance through the end of June 2014. Annualised performance from inception through to the end of June 2014 was 18.0%. Assets under management in this category were $21.1 million at 30 June 2014.[(29)]

Private Equity: Polygon's portfolio of private and less-liquid public assets which are being sold down in a closed-ended investment vehicle had AUM of approximately $428.9 million at 30 June 2014. The fund has returned $375.0 million of cash to its partners since inception in March 2011, including $20.0 million in H1 2014. Year-to-date performance through the end of June was 0.11%.[(30)] TFG has not invested directly in this product; however, it is the beneficiary of certain contracted management fee income.

THIRD-PARTY FEE INCOME

In addition to the fee income generated by the three asset management businesses, TFG also currently receives asset management fee income derived from a number of one-off and long-term fee sharing arrangements with third-parties.

H1 2014

FINANCIAL REVIEW

FINANCIAL REVIEW

In this section, we present consolidated financial data incorporating TFG and its 100% subsidiary, Tetragon Financial Group Master Fund Limited, which includes both U.S. GAAP and non-U.S. GAAP metrics.

FINANCIAL HIGHLIGHTS

Figure 17

TETRAGON FINANCIAL GROUP Financial Highlights			
	H1 2014	H1 2013	H1 2012
U.S. GAAP net income ($MM)	$71.9	$87.4	$132.6
Net economic income ($MM)	$86.0	$99.6	$132.6
U.S. GAAP EPS	$0.75	$0.89	$1.15
Adjusted EPS	$0.90	$1.02	$1.15
Return on equity	4.8%	6.1%	8.2%
Net assets ($MM)	$1,808.5	$1,680.3	$1,570.3
U.S. GAAP number of shares outstanding (MM)	94.2	97.6	115.0
U.S. GAAP NAV per share	$19.19	$17.22	$13.75
Pro Forma number of shares outstanding (MM)	105.9	110.7	115.0
Pro Forma fully diluted NAV per share	$17.08	$15.17	$13.75
DPS	$0.155	$0.140	$0.115

We use, among others, the following metrics to understand the progress and performance of the business:

- **Net Economic Income** ($86.0 million): adds back to the U.S. GAAP net income ($71.9 million) the imputed H1 2014 share based employee compensation ($11.5 million), which is generated on an ongoing basis resulting from the Polygon transaction and also includes unrealised net Polygon performance fees[31] ($2.5 million).
- **Return on Equity (4.8%):** Net Economic Income ($86.0 million) divided by Net Assets at the start of the year ($1,803.2 million).
- **Pro Forma Fully Diluted Shares (105.9 million):** adjusts the U.S. GAAP shares outstanding (94.2 million) for the impact of escrow shares used as consideration in the Polygon transaction and associated stock dividends (11.6 million) and for the potential impact of options issued to TFG's investment manager at the time of TFG's IPO (0.0 million).
- **Adjusted EPS ($0.90):** calculated as Net Economic Income ($86.0 million) divided by weighted average U.S. GAAP shares outstanding (96.0 million).
- **Pro Forma Fully Diluted NAV per Share ($17.08):** calculated as Net Assets ($1,808.5 million) divided by Pro Forma Fully Diluted shares (105.9 million).[32]

FINANCIAL REVIEW

STATEMENT OF OPERATIONS

Figure 18

TETRAGON FINANCIAL GROUP Statement of Operations	H1 2014 $MM	H1 2013 $MM	H1 2012 $MM
Interest income	85.3	109.8	115.8
Fee income	33.0	30.7	11.9
Unrealised Polygon performance fees	4.7	1.5	-
Other income - cost recovery	11.4	10.3	-
Investment income	**134.4**	**152.3**	**127.7**
Management and performance fees	(33.1)	(37.0)	(47.8)
Other operating and administrative expenses	(44.6)	(33.3)	(9.4)
Total operating expenses	**(77.7)**	**(70.3)**	**(57.2)**
Net investment income	**56.7**	**82.0**	**70.5**
Net change in unrealised appreciation in investments	(33.6)	9.4	68.2
Realised gain on investments	76.2	5.0	0.1
Realised and unrealised gains/(losses) from hedging, fx and options	(9.4)	6.0	(3.6)
Net realised and unrealised gains from investments and fx	**33.2**	**20.4**	**64.7**
Net economic income before tax and noncontrolling interest	**89.9**	**102.4**	**135.2**
Income tax	(3.9)	(2.8)	(1.6)
Noncontrolling interest	-	-	(1.0)
Net economic income	**86.0**	**99.6**	**132.6**

Performance Fee

A performance fee of $8.1 million was accrued in Q2 2014 in accordance with TFG's investment management agreement and based on a "Reference NAV" of Q1 2014. The total performance fee accrued in H1 2014 was $18.7 million. The hurdle rate for the Q3 2014 incentive fee has been reset at 2.879658% (Q2 2014: 2.875958%) as per the process outlined in TFG's 2013 audited financial statements and in accordance with TFG's investment management agreement.

Please see TFG's website, www.tetragoninv.com, and the 2013 TFG audited financial statements for more details on the calculation of this fee.

FINANCIAL REVIEW

STATEMENT OF OPERATIONS BY BUSINESS SEGMENT

Figure 19

TETRAGON FINANCIAL GROUP Statement of Operations by Segment H1 2014			
	Investment Portfolio $MM	TFG AM $MM	Total $MM
Interest income	85.2	0.1	85.3
Fee income	-	33.0	33.0
Unrealised Polygon performance fees	-	4.7	4.7
Other income - cost recovery	-	11.4	11.4
Investment and management fee income	**85.2**	**49.2**	**134.4**
Management and performance fees	(29.3)	(3.8)	(33.1)
Other operating and administrative expenses	(9.8)	(34.8)	(44.6)
Total operating expenses	**(39.1)**	**(38.6)**	**(77.7)**
Net change in unrealised appreciation in investments	(39.3)	5.7	(33.6)
Realised gain on investments	76.2	-	76.2
Realised and unrealised losses from hedging, fx and options	(9.4)	-	(9.4)
Net realised and unrealised gains from investments and fx	**27.5**	**5.7**	**33.2**
Net economic income before tax	**73.6**	**16.3**	**89.9**

FINANCIAL REVIEW

BALANCE SHEET

Figure 20

TETRAGON FINANCIAL GROUP Balance Sheet as at 30 June 2014 and 31 December 2013		
	Q2 2014 $MM	Q4 2013 $MM
Assets		
Investments, at fair value	1,445.4	1,533.0
Management contracts	33.1	36.5
Cash and cash equivalents	258.9	245.9
Amounts due from brokers	73.0	42.0
Derivative financial assets	13.3	15.2
Property, plant and equipment	0.2	0.3
Deferred tax asset and income tax receivable	8.7	8.3
Other receivables	40.6	26.5
Total assets	**1,873.2**	**1,907.7**
Liabilities		
Other payables and accrued expenses	39.9	79.8
Amounts payable on share options	11.3	10.7
Deferred tax liability and income tax payable	9.6	10.7
Derivative financial liabilities	3.9	3.3
Total liabilities	**64.7**	**104.5**
Net assets	**1,808.5**	**1,803.2**

FINANCIAL REVIEW

STATEMENT OF CASH FLOWS

Figure 21

TETRAGON FINANCIAL GROUP Statement of Cash Flows			
	H1 2014 $MM	H1 2013 $MM	H1 2012 $MM
Operating Activities			
Operating cash flows after incentive fees and before movements in working capital	134.6	183.6	172.6
Change in payables / receivables	(2.8)	(0.2)	(2.3)
Cash flows from operating activities	**131.8**	**183.4**	**170.3**
Investment Activities			
Proceeds on sales of investments			
- Proceeds sale of CLOs	128.0	-	0.2
- Net proceeds from swap resets	(11.8)	-	-
- Proceeds sale of bank loans and maturity and prepayment of investments	12.5	84.9	54.0
- Proceeds on realisation of real estate investments	26.7	6.8	-
- Proceeds from GreenOak working capital repayment	2.6	-	-
Purchase of investments			
- Purchase of CLOs	(63.6)	(45.5)	(66.1)
- Purchase of bank loans	(1.4)	(13.9)	(34.3)
- Purchase of real estate investments	(50.1)	(17.0)	(5.8)
- Investments in asset managers	-	(0.5)	(2.7)
- Investments in Polygon Equity Funds	-	(60.0)	-
- Investments in Polygon Credit, Convertibles and Distressed Funds	(25.0)	(10.0)	-
- Investments in Other Equities, Credit, Convertibles and Distressed	(27.3)	-	-
Cash flows from operating and investing activities	**122.4**	**128.2**	**115.6**
Amounts due from broker	(31.0)	(20.0)	9.3
Net purchase of shares	(49.2)	(13.7)	(12.3)
Dividends paid to shareholders	(29.0)	(26.4)	(24.2)
Distributions paid to noncontrolling interest	-	-	(0.7)
Cash flows from financing activities	**(109.2)**	**(60.1)**	**(27.9)**
Net increase in cash and cash equivalents	13.2	68.1	87.8
Cash and cash equivalents at beginning of period	245.9	175.9	211.5
Effect of exchange rate fluctuations on cash and cash equivalents	(0.2)	(0.2)	(0.2)
Cash and cash equivalents at end of period	**258.9**	**243.8**	**299.1**

FINANCIAL REVIEW

NET ECONOMIC INCOME TO U.S. GAAP RECONCILIATION

Figure 22

Net Economic Income to U.S. GAAP Reconciliation	
	30 Jun 2014 $MM
Net economic income	**86.0**
Share based employee compensation	(11.5)
Unrealised Polygon performance fees	(4.7)
Imputed tax charge on unrealised Polygon performance fees	1.4
Estimated TFM incentive fee on unrealised Polygon performance fees	0.8
U.S. GAAP net income	**71.9**

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

The reconciliation on the table above shows the adjustment required to get from this measure of earnings to U.S. GAAP net income. There are currently two categories of adjusting items: share based employee compensation of $11.5 million; and net performance fee earned but not accrued of $2.5 million, after taking into account an imputed tax charge and incentive fee payable to TFM thereon.

In relation to the share based compensation, under ASC 805 TFG is recognizing the value of the shares given in consideration for the Polygon transaction as employee compensation over the period in which they are vesting.

This mechanic and future vesting schedule are described in more detail in the Master Fund audited financial statements for the year ended 31 December 2013, and the unaudited financial statements for the period ended 30 June 2014.

Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining NAV at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There are can be no assurance that the company will realise all or any portion of such amounts. Through 30 June 2014, this amount equalled $4.7 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $2.5 million as shown in Figure 11and further represented in Figures 18 and 19 of this report. It also includes any unrealised performance fees to potentially be paid on investments made by TFG in Polygon hedge funds or other investment vehicles. TFG is able to invest at a preferred level of fees.

APPENDICES

APPENDICES

APPENDIX I

CERTAIN REGULATORY INFORMATION

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

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

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

TFG shares (the "Shares") are subject to legal and other restrictions on resale and the Euronext Amsterdam N.V. trading market is less liquid than other major exchanges, which could affect the price of the Shares.

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

DIRECTORS' STATEMENTS

The Directors of TFG confirm that (i) this Performance Report constitutes the TFG management review for the six month period ended 30 June 2014 and contains a fair review of that period and (ii) the financial statements in the accompanying unaudited interim report for the six month period ended 30 June 2014 for TFG have been prepared in accordance with applicable laws and in conformity with accounting principles generally accepted in the United States of America.

APPENDICES

APPENDIX II

FAIR VALUE DETERMINATION OF TFG'S CLO EQUITY INVESTMENTS

In accordance with the valuation policies set forth on TFG's website, the values of TFG's CLO equity investments are determined using a third-party cash flow modelling tool. The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of TFG's CLO equity investments. Since this involves modelling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of TFG's portfolio, the company seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate.

Forward-looking CLO equity cash flow modelling assumptions unchanged at the end of Q2 2014:

The Investment Manager reviews and, when appropriate, adjusts in consultation with TFG's audit committee the CLO equity investment portfolio's modelling assumptions as described above. At the end of Q2 2014, certain key assumptions relating to defaults, recoveries, prepayments and reinvestment prices were unchanged from the previous quarter. This was the case across both U.S. and European deals.

These key average assumption variables include the modelling assumptions disclosed as a weighted average (by U.S. dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Such weighted averages may change from month to month due to movements in the amortised costs of the deals, even without changes to the underlying assumptions. Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

The reinvestment price, assumptions about reinvestment spread and reinvestment life are also input into the model to generate an effective spread over LIBOR. Newer vintage CLOs may have a higher weighted-average reinvestment spread over LIBOR or shorter reinvestment life assumptions than older deals. Across the entire CLO portfolio, for those deals still in their reinvestment periods, the reinvestment price assumption of 100% for U.S. deals and European deals with their respective assumed weighted-average reinvestment spreads, generates an effective spread over LIBOR of approximately 362 bps on broadly syndicated U.S. loans and 279 bps on European loans. All middle market loan deals are through the end of their reinvestment periods.

APPENDICES

APPENDIX II (continued)

Figure 23

U.S. CLOs

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

Figure 24

European CLOs

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

Application of Discount Rate to Projected CLO Equity Cash Flows: U.S. CLO 1.0 Equity – discount rates reduced from 13% to 12%

In determining the applicable rates to use to discount projected cash flows, an analysis of observable risk premium data is undertaken. For U.S. CLOs, observable risk premia such as BB and BBB CLO tranche spreads maintained previous reductions and have been extremely stable at the current low levels.

For example, according to Citibank research, BB spreads which were 5.0% at the end of Q4 2013, ended Q2 2014 at 5.1%, whilst BBB spreads reduced from 3.2% at the end of Q1 2014 to 3.0% at the end of Q2 2014.

In the second quarter, TFG sold seven U.S. CLO 1.0 positions, all at or above their carrying values as calculated using a 13% discount rate, and other market related information, such as broker research and bid lists, strongly indicated that discount rates or yields had continued to compress. Taking into account all of the factors outlined above, this discount rate has been reduced to 12%. The future movement of mezzanine tranche spreads as well as the likely range of spreads of equity discount rates over such spreads, among other factors, will continue to be monitored in coming quarters.

APPENDIX II (continued)

European CLO Equity – discount rates reduced from 16% to 14%

Like their U.S. equivalents, European BB-rated tranche yields have continued exhibit stability at these current low levels. For example, these are unchanged at 6.9% compared to the end of the previous quarter, which is less than 2% higher than the U.S. CLO 1.0 BB spreads (see above). Notwithstanding the potential higher risks connected with the ongoing Eurozone issues, we believe that the stability of the differential between European and U.S. mezzanine spreads is indicative, among other things, of a genuine compression in risk premium between the two geographies over the last few quarters. In order to better reflect this factor outlined above and the stability of mezzanine spreads at the current low levels, the discount rate applied to European deal projected cash flows has been reduced to 14% from 16%. This squeezes the differential on discount rates used on U.S. pre-crisis deals and European deals to 2%. The observable range of European risk premia over the U.S. equivalent, among other factors, will continue to be monitored in coming quarters.

Historically, we have characterised the difference arising where fair value is lower than the amortised cost for the portfolio, which can occur when the discount rates used to discount future cash flows when determining fair value are higher than the modelled IRRs, as the “ALR Fair Value Adjustment” or “ALR”. For European deals at the end of Q2 2014, the ALR stood at $17.8 million, compared to $31.6 million at the end of Q1 2014. As explained in prior releases, the ALR is now zero for U.S. deals. Given the foregoing, we currently do not expect to report this number on a quarterly basis going forward.

U.S. CLO 2.0 Equity – discounted using deal IRR

The applicable discount rate for newer vintage deals is determined with reference to each deal’s specific IRR, which, in the absence of other consistently available observable data points, is deemed to be the most appropriate indication of the current risk premium on these structures. At the end of Q2 2014, the weighted-average discount rate (and IRR) on these deals was 11.4%. Such deals represented approximately 27.1% of the CLO equity portfolio by fair value (up from 20.6% at the end of Q1 2014). We will continue to monitor observable data on these newer vintage transactions to determine whether the IRR remains the appropriate discount rate.

Effect on fair value and net income of the recalibration of discount rates

Overall, the net impact of the recalibration of discount rates described above led to an overall increase in fair value of the total CLO equity portfolio of approximately $21.3 million, or $16.0 million in bottom line net income.

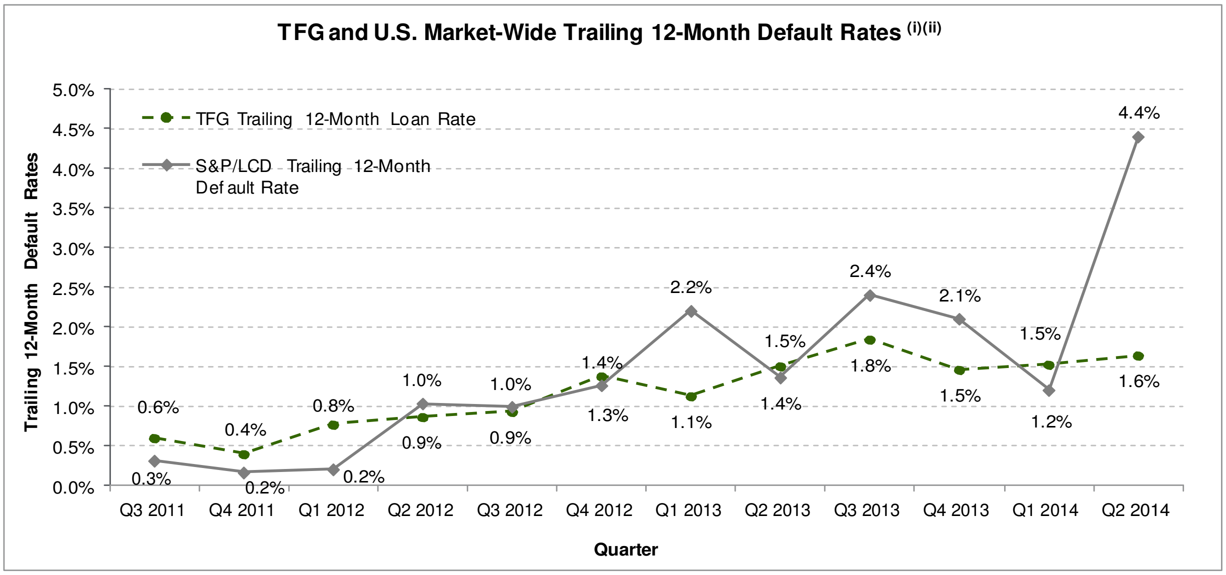
APPENDICES

APPENDIX III

ADDITIONAL CLO PORTFOLIO STATISTICS

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

Figure 25



(i) The calculation of TFG's lagging 12-month corporate loan default rate does not include certain underlying investment collateral that was assigned a “Selective Default” rating by one or more of the applicable rating agencies. Such Selected Defaults are included the S&P/LCD lagging 12-month U.S. institutional loan default rate discussed above. Furthermore, TFG's CLO equity and direct loan investment portfolio includes approximately 15.2% CLOs with primary exposure to European senior secured loans and such loans are included in the calculation of TFG's corporate default rate. The increase in the S&P/LCD Trailing 12 Month Default Rate from Q1 2014 to Q2 2014 was largely the result of a single bankruptcy.

(ii) Source: S&P/LCD Quarterly Review as of the outlined quarter-end date.

Figure 26

ALL CLOs	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Caa1/CCC+ or Below Obligors:	3.7%	4.6%	5.4%	4.9%	5.0%	5.1%	6.0%	6.4%	5.7%	6.2%	7.0%	7.0%
WARF:	2,621	2,565	2,542	2,553	2,568	2,541	2,599	2,605	2,578	2,588	2,624	2,614
U.S. CLOs	**Q2 2014**	**Q1 2014**	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**	**Q3 2011**
Caa1/CCC+ or Below Obligors:	3.0%	3.4%	3.8%	3.9%	4.1%	4.0%	4.5%	4.9%	4.2%	4.8%	5.5%	5.5%
WARF:	2,556	2,544	2,513	2,534	2,550	2,510	2,524	2,528	2,491	2,504	2,533	2,522
EUR CLOs	**Q2 2014**	**Q1 2014**	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**	**Q3 2011**
Caa1/CCC+ or Below Obligors:	6.9%	9.4%	11.8%	9.1%	8.7%	9.7%	11.7%	12.2%	11.6%	11.1%	12.3%	12.0%
WARF:	2,894	2,650	2,658	2,631	2,642	2,670	2,896	2,903	2,910	2,900	2,948	2,941

APPENDICES

APPENDIX III (continued)

CLO EQUITY PORTFOLIO DETAILS
AS OF 30 JUNE 2014

Figure 27

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualised (Loss) Gain c f Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 1	EUR CLO	37.5	2007	2024	2014	380	55	58	0.86%	3.86%	(0.43%)	0.5%	36.4%
Transaction 2	EUR CLO	29.7	2006	2023	2013	407	52	66	1.38%	3.60%	(0.29%)	10.4%	108.3%
Transaction 3	EUR CLO	22.2	2006	2022	2012	425	58	92	4.40%	5.14%	(0.09%)	11.4%	129.2%
Transaction 4	EUR CLO	33.0	2007	2023	2013	419	48	54	7.45%	5.76%	0.23%	15.3%	138.8%
Transaction 5	EUR CLO	36.9	2007	2022	2014	401	60	56	0.77%	5.74%	(0.72%)	10.2%	94.5%
Transaction 6	EUR CLO	33.3	2006	2022	2012	384	51	72	9.63%	4.70%	0.61%	5.7%	51.8%
Transaction 7	EUR CLO	38.5	2007	2023	2013	406	46	53	7.35%	3.64%	0.51%	6.7%	41.7%
Transaction 8	EUR CLO	26.9	2005	2021	2011	396	53	106	16.75%	4.98%	1.32%	8.8%	109.9%
Transaction 10	EUR CLO	27.0	2006	2022	2012	385	50	73	1.87%	4.54%	(0.34%)	0.3%	44.1%
Transaction 86	EUR CLO	3.6	2006	2022	2012	385	50	73	1.87%	3.11%	(0.16%)	8.3%	15.9%
EUR CLO Subtotal:		**288.6**				**399**	**52**	**68**	**5.39%**	**4.61%**	**0.07%**		**79.9%**
Transaction 11	U.S. CLO	20.5	2006	2018	2012	298	45	56	9.52%	4.55%	0.64%	20.4%	189.7%
Transaction 12	U.S. CLO	22.8	2006	2019	2013	320	46	58	10.71%	4.45%	0.82%	20.3%	188.4%
Transaction 13	U.S. CLO	15.2	2006	2018	2012	317	47	53	2.71%	4.82%	(0.27%)	21.8%	209.3%
Transaction 14	U.S. CLO	26.0	2007	2021	2014	332	49	50	2.94%	5.63%	(0.37%)	19.0%	191.2%
Transaction 15	U.S. CLO	28.1	2007	2021	2014	407	52	48	3.67%	4.21%	(0.08%)	29.7%	242.8%
Transaction 16	U.S. CLO	23.5	2006	2020	2013	381	46	51	4.81%	4.44%	0.05%	21.0%	210.7%
Transaction 17	U.S. CLO	26.0	2007	2021	2014	320	40	40	4.52%	4.24%	0.04%	24.0%	205.7%
Transaction 18	U.S. CLO	16.7	2005	2017	2011	290	45	57	11.81%	4.77%	0.81%	19.9%	200.6%
Transaction 19	U.S. CLO	1.2	2005	2017	2011	290	45	57	11.81%	4.77%	0.81%	23.7%	194.8%
Transaction 20	U.S. CLO	26.6	2006	2020	2012	402	52	88	7.41%	5.28%	0.28%	22.2%	202.0%
Transaction 21	U.S. CLO	20.7	2006	2020	2012	383	53	90	7.74%	4.76%	0.38%	18.4%	180.4%
Transaction 22	U.S. CLO	37.4	2007	2021	2014	397	53	53	3.29%	5.00%	(0.23%)	21.9%	191.4%
Transaction 23	U.S. CLO	19.9	2007	2021	2013	315	66	174	12.11%	4.98%	1.00%	20.1%	178.0%
Transaction 24	U.S. CLO	16.9	2006	2018	2012	365	46	57	9.18%	4.17%	0.64%	18.0%	181.5%
Transaction 25	U.S. CLO	20.9	2006	2018	2013	389	46	58	12.35%	4.13%	1.09%	22.5%	200.2%
Transaction 26	U.S. CLO	27.9	2007	2019	2013	410	43	59	11.97%	4.05%	1.09%	19.2%	181.9%
Transaction 29	U.S. CLO	19.1	2005	2018	2011	475	66	N/A	N/A	4.82%	N/A	18.9%	204.7%
Transaction 30	U.S. CLO	12.4	2006	2018	2012	420	67	149	7.92%	5.16%	0.34%	18.1%	178.1%
Transaction 31	U.S. CLO	9.5	2005	2017	2012	321	52	139	13.82%	5.02%	0.97%	16.2%	192.4%
Transaction 32	U.S. CLO	24.0	2007	2021	2014	308	59	59	4.38%	5.57%	(0.17%)	21.7%	189.1%
Transaction 33	U.S. CLO	16.2	2006	2020	2012	354	56	157	11.11%	6.99%	0.50%	13.8%	163.4%
Transaction 34	U.S. CLO	22.2	2006	2020	2012	354	50	74	7.86%	6.66%	0.16%	18.8%	190.2%
Transaction 35	U.S. CLO	23.6	2006	2018	2012	422	52	263	35.11%	5.00%	3.75%	19.3%	175.7%
Transaction 36	U.S. CLO	28.4	2007	2021	2013	366	46	66	2.75%	5.18%	(0.33%)	19.1%	175.8%
Transaction 38	U.S. CLO	23.7	2007	2021	2013	313	42	60	8.80%	5.07%	0.51%	27.7%	231.7%
Transaction 39	U.S. CLO	7.8	2005	2017	2011	400	70	N/A	N/A	3.15%	N/A	8.5%	137.6%
Transaction 40	U.S. CLO	13.0	2006	2020	2011	349	39	70	N/A	N/A	N/A	21.0%	188.8%
Transaction 44	U.S. CLO	22.3	2006	2018	2012	122	54	485	54.80%	4.16%	6.22%	10.2%	126.1%
Transaction 45	U.S. CLO	23.0	2006	2018	2012	280	46	112	7.40%	4.46%	0.39%	8.3%	118.2%
Transaction 46	U.S. CLO	21.3	2007	2019	2013	290	51	102	5.10%	4.33%	0.11%	7.2%	109.3%
Transaction 47	U.S. CLO	28.3	2006	2021	2013	331	47	45	3.60%	4.34%	(0.10%)	22.5%	204.1%
Transaction 49	U.S. CLO	12.6	2005	2017	2011	371	40	74	9.75%	3.94%	0.67%	11.7%	130.0%

(Continued on next page)

APPENDICES

APPENDIX III (continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED)
AS OF 30 JUNE 2014

Figure 27 (continued)

Transaction(i)	Deal Type	Original Invest. Cost ($MM USD)(ii)	Deal Closing Date	Year of Maturity	End of Reinv Period	Wtd Avg Spread (bps)(iii)	Original Cost of Funds (bps)(iv)	Current Cost of Funds (bps)(v)	Current Jr-Most O/C Cushion(vi)	Jr-Most O/C Cushion at Close(vii)	Annualised (Loss) Gain of Cushion(viii)	IRR(ix)	ITD Cash Received as % of Cost(x)
Transaction 50	U.S. CLO	12.3	2006	2018	2012	371	40	63	8.54%	4.25%	0.53%	12.7%	135.2%
Transaction 56	U.S. CLO	23.0	2007	2019	2014	336	42	52	4.48%	4.53%	(0.01%)	22.2%	194.6%
Transaction 57	U.S. CLO	0.6	2007	2019	2014	336	42	52	4.48%	4.53%	(0.01%)	47.4%	1121.2%
Transaction 58	U.S. CLO	21.8	2007	2019	2014	339	49	54	4.40%	4.04%	0.05%	24.8%	207.4%
Transaction 59	U.S. CLO	0.4	2007	2019	2014	339	49	54	4.40%	4.04%	0.05%	52.0%	1600.2%
Transaction 61	U.S. CLO	29.1	2007	2021	2014	322	45	45	2.08%	4.04%	(0.27%)	18.0%	163.1%
Transaction 62	U.S. CLO	25.3	2007	2020	2013	315	42	51	5.73%	5.20%	0.07%	22.4%	205.0%
Transaction 63	U.S. CLO	27.3	2007	2021	2013	357	53	59	3.01%	4.78%	(0.25%)	19.6%	186.8%
Transaction 64	U.S. CLO	15.4	2007	2021	2013	376	38	45	N/A	N/A	N/A	23.1%	208.4%
Transaction 65	U.S. CLO	26.9	2006	2021	2013	355	47	67	6.97%	4.96%	0.26%	14.6%	151.3%
Transaction 66	U.S. CLO	21.3	2006	2020	2013	292	49	50	3.40%	4.05%	(0.08%)	22.7%	209.9%
Transaction 68	U.S. CLO	19.3	2006	2020	2013	336	48	50	6.60%	4.41%	0.29%	27.7%	252.1%
Transaction 69	U.S. CLO	28.2	2007	2019	2013	317	44	45	7.41%	5.61%	0.25%	26.7%	236.1%
Transaction 71	U.S. CLO	1.7	2006	2018	2012	371	40	63	8.54%	4.25%	0.53%	27.8%	103.7%
Transaction 72	U.S. CLO	4.8	2007	2019	2014	336	42	52	4.48%	4.53%	(0.01%)	18.2%	96.3%
Transaction 73	U.S. CLO	1.9	2007	2019	2014	336	42	52	4.48%	4.53%	(0.01%)	18.2%	96.3%
Transaction 74	U.S. CLO	5.5	2007	2019	2014	339	49	54	4.40%	4.04%	0.05%	21.5%	104.8%
Transaction 75	U.S. CLO	32.7	2011	2022	2014	378	168	168	4.47%	4.05%	0.14%	11.7%	62.7%
Transaction 76	U.S. CLO	1.9	2006	2018	2012	280	46	112	7.40%	2.43%	0.66%	32.1%	116.9%
Transaction 77	U.S. CLO	14.5	2011	2023	2016	394	212	213	5.77%	5.04%	0.29%	13.5%	45.1%
Transaction 78	U.S. CLO	22.9	2012	2023	2015	459	217	217	5.90%	4.00%	0.78%	15.4%	61.8%
Transaction 79	U.S. CLO	19.4	2012	2022	2015	398	215	179	4.06%	4.00%	0.02%	9.1%	40.3%
Transaction 80	U.S. CLO	22.7	2012	2022	2016	399	185	185	4.06%	4.17%	(0.05%)	11.0%	42.5%
Transaction 81	U.S. CLO	21.7	2012	2024	2016	421	216	217	4.79%	4.00%	0.44%	8.0%	30.3%
Transaction 82	U.S. CLO	25.4	2012	2022	2016	402	206	207	4.11%	4.00%	0.06%	8.1%	30.3%
Transaction 83	U.S. CLO	20.8	2013	2025	2017	465	193	193	6.86%	6.17%	0.51%	13.9%	25.1%
Transaction 84	U.S. CLO	24.6	2013	2023	2017	396	183	184	4.12%	4.02%	0.07%	15.9%	35.5%
Transaction 85	U.S. CLO	1.0	2013	2025	2017	402	170	171	5.04%	5.01%	0.04%	9.5%	18.5%
Transaction 87	U.S. CLO	23.0	2013	2026	2018	409	199	199	4.19%	4.00%	0.33%	6.4%	0.0%
Transaction 88	U.S. CLO	30.1	2014	2024	2018	423	199	200	4.04%	4.02%	0.06%	12.5%	0.0%
Transaction 89	U.S. CLO	33.6	2014	2026	2018	368	195	195	3.96%	3.96%	-	12.0%	0.0%

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. Such transactions may continue to be held as of the date of this report.

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

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

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

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

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

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

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

(ix) Calculated from TFG's investment date. Includes both historical cash flows received to-date and prospective cash flows expected to be received, based on TFG's base case modeling assumptions.

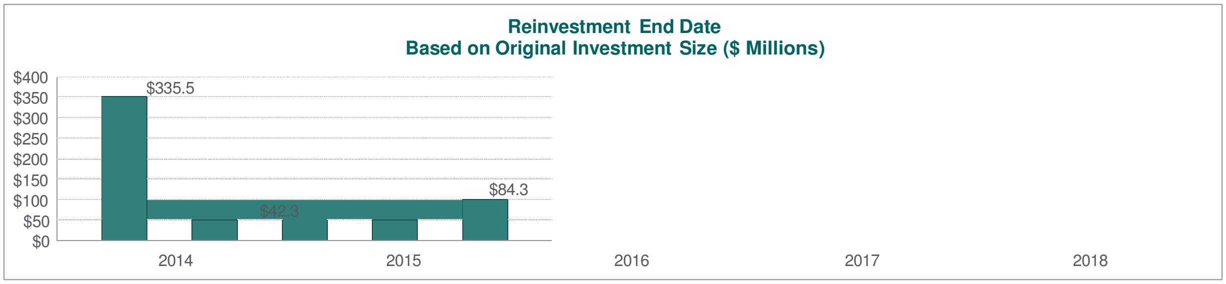
(x) Inception to report date cash flow received on each transaction as a percentage of its original cost.

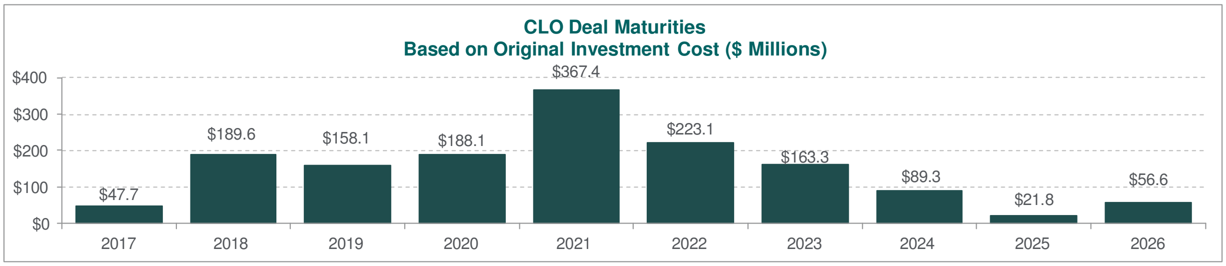
APPENDICES

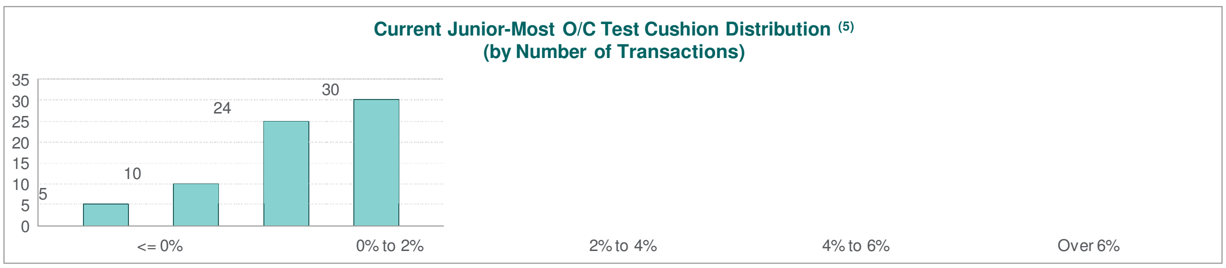
APPENDIX III (continued)

CLO EQUITY PORTFOLIO DETAILS (CONTINUED) AS OF 30 JUNE 2014

Figure 28







APPENDICES

APPENDIX IV

SHARE RECONCILIATION AND SHAREHOLDINGS

U.S. GAAP TO FULLY DILUTED SHARES RECONCILIATION

Figure 29[33]

U.S. GAAP to Fully Diluted Shares Reconciliation	
	30 Jun 2014 Shares (MM)
Legal Shares Issued and Outstanding	**135.24**
Less: Shares Held In Subsidiary	(16.60)
Less: Shares Held In Treasury	(12.80)
Less: Escrow Shares[33.i]	(11.60)
U.S. GAAP Shares Outstanding	**94.24**
Add: Manager (IPO) Share Options[33.ii]	0.04
Add: Escrow Shares[33.i]	11.60
Pro Forma Fully Diluted Shares	**105.88**

BOARD OF DIRECTORS

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

*Independent Director

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ENDNOTES

Executive Summary and Outlook

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

(2) TFG's returns will most likely fluctuate with LIBOR. LIBOR directly flows through some of TFG's investments and, as it can be seen as the risk-free short-term rate, it should affect all of TFG's investments. In high-LIBOR environments, TFG should achieve higher sustainable returns; in low-LIBOR environments, TFG should achieve lower sustainable returns.

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

(4) Please see endnote 2.

(5) The percentage of TFG's capital that is externally managed is calculated by dividing the sum of the U.S. GAAP fair value of all investment assets managed by parties other than TFG or its affiliates, by the total Net Asset Value of the company.

(6) Includes GreenOak funds and advisory assets, AUM for Polygon Recovery Fund LP, Polygon Convertible Opportunity Master Fund, Polygon European Equity Opportunity Master Fund and associated managed account, Polygon Mining Opportunity Master Fund, Polygon Global Equities Master Fund and Polygon Distressed Opportunities Master Fund, as calculated by the applicable administrator for value date 30 June 2014. Includes, where relevant, investments by Tetragon Financial Group Master Fund Limited. TFG Asset Management AUM as used in this report includes the assets under management of several investment advisers, including Tetragon Asset Management L.P., and GreenOak Real Estate, LP, each of which is an investment manager registered under the U.S. Investment Advisers Act of 1940.

(7) Fee income nets off cost of recovery on "Other fee income" against this cost contained in "Operating, employee, and administrative expenses," and includes amounts earned through third-party fee sharing arrangements. It also includes any fees earned through fees paid on investments made by TFG in Polygon hedge funds or other investment vehicles. TFG is able to invest at a preferred level of fees.

Key Metrics

(8) Please refer to Financial Highlights on page 26 of this report for the definition of Return on Equity or "RoE".

(9) Please see endnote 2.

(10) Please refer to Financial Highlights on page 26 of this report for the definition of Net Economic Income.

(11) Please refer to Financial Highlights on page 26 of this report for the definition of Adjusted EPS.

(12) Please refer to Financial Highlights on page 26 of this report for the definition of Pro Forma Fully Diluted Shares and Pro Forma Fully Diluted NAV per Share.

(13) Please see endnote 2.

(14) Includes an amount receivable at 30 June 2014 of $25.1 million relating to the sale of a CLO position.

Investment Portfolio

(15) The CLO asset characterisations referenced above reflect the primary asset focus of the vehicles. These transactions, however, may allow for limited exposure to other asset classes including unsecured loans, high yield bonds, or structured finance securities.

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

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

(18) Based on the most recent trustee reports available as of 30 June 2014.

ENDNOTES (continued)

(19) Based on the most recent trustee reports available as of 30 June 2014.

(20) Based on the most recent trustee reports available as of 30 June 2014.

(21) Past performance or experience (actual or simulated) does not necessarily give a guide for the future and no representation is being made that the funds listed will or are likely to achieve profits or losses similar to those shown. TFG invests in Polygon-managed funds on a preferred fee-basis.

TFG Asset Management

(22) TFG owns a 23% stake in GreenOak and for accounting purposes treats this stake as an investment rather than consolidating the underlying net assets and net income of this business. Any change in the calculated fair value of the 23% stake in GreenOak will be reflected through the TFG Asset Management segment below the EBITDA equivalent line. During Q2 2014, as the result of a recalibration of the fair value of this stake, $5.7 million of value was recognised in the TFG Asset Management Statement of Operations.

(23) Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining net asset value at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There are can be no assurance that the company will realise all or any portion of such amounts. Through 30 June 2014, this amount equalled $4.7 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $2.5 million as shown in Figure 11 and further represented in Figures 18 and 19 of this report.

(24) The LCM IV, LCM V, LCM VI, LCM IX, LCM X, LCM XI, LCM XII, LCM XIII, LCM XIV, LCM XV and LCM XVI CLOs are referred to as the "LCM Cash Flow CLOs." These statistics do not include the performance of certain transactions that were developed and previously managed by a third-party prior to being assigned to LCM, some of which continue to be managed by LCM.

(25) The Polygon Convertible Opportunity Fund began trading with Class B shares, which carry no incentive fees, on 20 May 2009. Class A shares of the fund were first issued on 1 April 2010 and returns from inception through March 2010 have been *pro forma* adjusted to match the fund's Class A share terms as set forth in the Offering Memorandum (1.5% management fee, 20% incentive fee over a hurdle and other items, in each case, as set forth in the Offering Memorandum). From April 2010, forward, the reported returns reflect actual Class A share performance on the terms set forth in the Offering Memorandum. The return figures shown are final values as calculated by the applicable fund administrator. 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.

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

ENDNOTES (continued)

(27) The Polygon Mining Opportunity Fund began trading with Class B1 shares, which carry no incentive fees, on 1 June 2012. Returns shown here through October 2013 have been *pro forma* adjusted to account for a 2.0% management fee, a 20% incentive fee, and non trading expenses capped at 1%, in each case, as set forth in the Offering Memorandum. Class A1 shares of the Fund were first issued on 1 November 2013. From November 2013, forward, reported performance reflects actual Class A1 share performance on the terms set forth in the Offering Memorandum. The return figures shown are final values as calculated by the applicable fund administrator. 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.

(28) The Polygon Distressed Opportunities Fund began trading on 2 September 2013. Returns shown are for offshore Class A shares, reflecting the terms set forth in the offering documents (2.0% management fee, 20% incentive fee and other items, in each case, as set forth in the offering documents) as calculated by the applicable fund administrator. 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.

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

(30) The Private Equity Vehicle noted is the Polygon Recovery Fund L.P. ("PRF"). The manager of the PRF is a subsidiary of TFG having been acquired in the Polygon transaction. The management fees earned in respect of PRF are included in the TFG Asset Management business segment described herein. PRF is a limited-life vehicle seeking to dispose of its portfolio securities prior to its initial term expiring in the first half of 2015 – with two additional one-year terms based on performance or investor approval. Individual investor performance will vary based on their high water mark. Currently the majority of Class C share class investors have not reached their high water mark, so their performance is the same as their gross performance. AUM figure and net performance is for PRF as calculated by the applicable fund administrator.

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(31) Unrealised Polygon performance fees represent the fees calculated by the applicable administrator of the relevant Polygon funds, in accordance with the applicable fund constitutional documents, when determining net asset value at quarter end, less certain assumed costs. Similar amounts, if any, from LCM and GreenOak are excluded from this line item. Such fees would typically not be realised or recognised under U.S. GAAP until calendar year end, and are therefore subject to change based on fund performance during the remainder of the year. There are can be no assurance that the company will realise all or any portion of such amounts. Through 30 June 2014, this amount equalled $4.7 million before (1) an assumed imputed tax charge and (2) estimated TFM performance fees reduced the net contribution to $2.5 million as shown in Figure 11 and further represented in Figures 18 and 19 of this report. It also includes any unrealised performance fees to potentially be paid on investments made by TFG in Polygon hedge funds or other investment vehicles. TFG is able to invest at a preferred level of fees.

ENDNOTES (continued)

(32) Pro Forma Fully Diluted NAV per Share seeks to reflect certain potential changes to the total non-voting shares over the next few years, which may be utilised in the calculation of NAV per Share. Specifically, the number of shares used to calculate U.S. GAAP NAV per Share has been adjusted to incorporate:

(i) The Escrow Shares, which have been used as consideration for the acquisition of Polygon and applicable stock dividends relating thereto, and which are held in escrow and are expected to be released and incorporated into the U.S. GAAP NAV per Share over the next four years.

(ii) The number of shares corresponding to the applicable intrinsic value of the options issued to the Investment Manager at the time of the company's IPO with a strike price of $10.00, to the extent such options are in the money at period end. The intrinsic value of the manager (IPO) share options is calculated as the excess of (x) the closing price of the shares as of the final trading day in the relevant period over (y) $10.00 (being the exercise price per share) times (z) 12,545,330 (being a number of shares subject to the options before the application of potential anti-dilution). The terms of exercise under the options allow for exercise using cash, as well as, with the consent of the board of the company, certain forms of cashless exercise. Each of these prescribed methods of exercise may give rise to the issuance of a different number of shares than the approach described herein. If the options were to be surrendered for their intrinsic value with the board's consent, rather than exercised, the number of shares issued would equal the intrinsic value divided by the closing price of the shares as of the final trading day in the relevant period. This approach has been selected because we currently believe it is more reasonably illustrative of a likely outcome if the options are exercised. The options are exercisable until 26 April 2017.

Appendix IV

(33) Please see endnote 32.