

**Form ADV Part 2A: Firm Brochure**

March 31, 2019

**TFG Asset Management L.P.**

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**This Brochure provides information about the qualifications and business practices of TFG Asset Management L.P., an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact us at +1 (212) 359 7300. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about TFG Asset Management L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

## **Item 2            Material Changes**

This section provides only a summary of certain updates made to the brochure since its most recent filing made on March 31, 2018. There have been no material changes made to the brochure since the most recent filing; however, clients and prospective clients should review this brochure carefully.

Items of this brochure, although not material, have been revised, including the following:

Item 4 of this brochure has been revised to include further disclosure on management of the business, TFG Asset Management's internal management, TFG Asset Management responsibilities to affiliates, as well as further disclosure of potential conflicts of interest.

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## **Item 4            Advisory Business**

### *General Description of Advisory Firm*

TFG Asset Management L.P., referred to further herein as TFG Asset Management (formerly, Polygon Management L.P.), along with certain of its affiliated management entities, collectively referred to further herein as the Firm, is a global private investment firm founded by Reade Griffith and Paddy Dear in 2002. Stephen Prince is the Head of TFG Asset Management and Reade Griffith is its Chief Investment Officer. TFG Asset Management has been registered with the SEC since February 14, 2012.

TFG Asset Management, a diversified alternative asset manager, owns majority and minority stakes in asset managers and operates a global multiproduct infrastructure. TFG Asset Management provides investment advice to private funds, separately managed accounts and other investment vehicles. TFG Asset Management oversees a multi-strategy platform, which seeks to design investment vehicles and products that leverage the portfolio managers' and investment teams' specific areas of expertise and track records. TFG Asset Management's general approach is to maximize investment returns as opposed to focusing on growing assets under management. TFG Asset Management places an emphasis on investing in areas where TFG Asset Management believes there is the opportunity for enduring *alpha* generation, and on working with groups and individuals that have demonstrated their ability over different business cycles.

### *Description of Advisory Services*

TFG Asset Management generally focuses its private funds, each referred to further herein as a Fund, on dedicated specific opportunities with liquidity and capacity designed to seek to match the liquidity of the underlying assets in each Fund, provide returns across market cycles and align investors' interests with the Firm. Fund investment teams manage Fund capacity with a goal toward ensuring that performance and liquidity are not compromised.

TFG Asset Management's strategies do not compete with one another, but may have overlapping investment objectives. Although all the strategies are targeted, investment teams may collaborate when appropriate, participate in firm-wide risk discussions and share an infrastructure platform. This approach allows each team to focus on its opportunities while having the benefit of other market perspectives.

The Firm does not participate in wrap fee programs.

### *Assets Under Management*

The amount of client net asset value that TFG Asset Management manages on a discretionary basis is approximately \$12.1 billion (as of December 31, 2018). TFG Asset Management does not currently manage any client assets on a non-discretionary basis.

### *Ownership/Structure/Investment Vehicles*

TFG Asset Management is an investment of and fully controlled by Tetragon Financial Group Limited, referred to further herein as Tetragon, a Guernsey closed-ended investment company traded on Euronext Amsterdam N.V. under the ticker symbol “TFG.NA” and on the Specialist Fund Segment of the main market of the London Stock Exchange under the ticker symbols “TFG.LN” and “TFGS.LN”. Tetragon invests in a broad range of assets, including bank loans, real estate, equities, credit, convertible bonds, private equity and infrastructure. Tetragon’s investment portfolio comprises, as described above, a broad range of assets, including TFG Asset Management, its diversified alternative asset manager that owns majority and minority private equity stakes in asset management companies. 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.

Tetragon Financial Management LP, referred to further herein as TFM, has been appointed as the investment manager of Tetragon under an Investment Management Agreement. TFM is separately registered as an investment adviser under the Advisers Act. For further information regarding TFM, including the specifics of its Investment Management Agreement with Tetragon, please refer to TFM’s Form ADV which is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

TFG Asset Management is the broadly-based asset management platform for Tetragon. Following Tetragon’s acquisition of Polygon Management L.P. in 2012, Tetragon’s Board of Directors and TFM 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.

The asset management platform currently consists of Polygon Global Partners LP and Polygon Global Partners LLP, collectively referred to further herein as Polygon, LCM Asset Management LLC, referred to further herein as LCM, Hawke's Point Holdings L.P., referred to further herein as Hawke's Point, Equitix Holdings Limited, referred to further herein as Equitix, Tetragon Credit Income Partners<sup>1</sup>, referred to further herein as Tetragon Credit Income, TCI Capital Management<sup>2</sup>, referred to further herein as TCICM and the joint venture with GreenOak Real Estate L.P., referred to further herein as GreenOak.

Polygon manages open-ended hedge funds and private equity vehicles across a number of strategies. Polygon was established in 2002 and is wholly owned by Tetragon. One of TFG Asset Management's Polygon affiliates, Polygon Global Partners LLP is authorised and regulated by the United Kingdom Financial Conduct Authority (FCA).

LCM, an indirect, wholly-owned subsidiary of TFG Asset Management, is a specialist in below-grade U.S. broadly-syndicated leveraged loans. Currently, LCM manages loan assets exclusively through collateralized loan obligations (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 assets, as well as post-reinvestment period reinvestment flexibility and weighted average life constraints. LCM was established in 2001.

Hawke's Point is an asset management company focused on mining finance, established by TFG Asset Management in 2014 that seeks to provide capital to companies in the mining and resource sectors.

Equitix is an integrated core infrastructure asset management and primary project platform. Equitix was established in 2007, and acquired by Tetragon in 2015. 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 waste sectors. One of Equitix's affiliates, Equitix Investment Management Limited, is authorised and regulated by the FCA.

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<sup>1</sup> Tetragon Credit Income Partners Ltd. (TCIP Ltd.) is a holding company of the interests in Tetragon Credit Income Partners II Ltd. (TCIP II) and Tetragon Credit Income Partners III Ltd. (TCIP III), each of which acts as general partner to Tetragon Credit Income II L.P. and Tetragon Credit Income III L.P., respectively. Tetragon Credit Income refers to collectively TCIP Ltd., TCIP II and TCIP III.

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

Tetragon Credit Income was organized beginning in 2015 in connection with efforts to deploy capital and resources focused on CLO investments, including majority stakes in CLO equity tranches. Tetragon Credit Income has a limited prior operating history and it may be unable to successfully operate its business or achieve its investment objectives. Tetragon, together with certain third parties, is a significant investor in Tetragon Credit Income's affiliated investment vehicles. Tetragon Credit Income, acting through one or more affiliated investment vehicles, intends to hold a controlling financial interest (or a majority equity interest) in certain of the sponsors (including LCM) and/or co-sponsors of CLOs, which entities also serve as manager and/or co-manager of such CLOs. TCI II is structured with a management fee and carried interest over a preferred return (each on non-LCM investments) and TCI III with a management fee and carried interest over a preferred return, including LCM investments. Both have a multi-year investment period and a term of seven years (subject to potential extensions and otherwise as required by applicable regulatory requirements).

TCICM acts as a CLO collateral manager of CLO transactions as further described below. In connection with these CLOs, TCICM has, and it is further expected to, enter into a sub-advisory arrangements with third-party CLO managers. In connection with such arrangements, TCICM has entered, and is expected to enter, into a collateral management agreement with the relevant CLO issuer and a sub-advisory agreement or similar services agreement with a third-party CLO manager, whereby such third-party CLO manager will provide sub-advisory services to the applicable CLO portfolio. It utilizes, and has access to the TFG Asset Management platform, including personnel from Polygon and LCM. Currently, TCICM manages loan assets exclusively through CLOs (which includes warehouse vehicles created in anticipation of future CLOs), which are long-term, multi-year investment vehicles. At this time, TCICM utilizes, and expects to continue to utilize, the investment expertise of certain third-party sub-advisors to assist in the management of its CLOs. Such sub-advisors will typically earn a substantial portion of the management fees from the CLOs.

GreenOak is a real estate-focused principal investing, lending and advisory firm that seeks to create long-term value for its investors and provide strategic advice to its clients. The business was established in 2010 as a joint venture with TFG Asset Management having a non-dilutable 23% ownership interest in GreenOak. In December 2018, GreenOak announced a merger with Bentall Kennedy, Sun Life Financial Inc.'s North American real estate and property management firm, to form Bentall GreenOak. The merger is expected to close by the end of the first half of 2019. Sun Life will own 56% of Bentall GreenOak, with the existing GreenOak owners holding 44%. As part of a pre-merger restructuring of its 23% interest in the joint venture, TFG Asset Management will hold a 29% interest in GreenOak going into the merger with Bentall Kennedy. Bentall GreenOak will remain a key strategic investment of TFG Asset Management and TFG Asset Management will continue to own nearly 13% of the combined entity. GreenOak currently has funds with investments focused on the United States, Japan, Spain and the United Kingdom. GreenOak is separately registered as an investment adviser with the SEC. Except where otherwise noted, information with

respect to GreenOak is not included in this Brochure, but is otherwise available on that firm's Form ADV.

An affiliate of TFG Asset Management, TFM, manages Tetragon. The management and control of TFM is vested in its general partner, Tetragon Financial Management GP LLC, which is responsible for all actions of TFM. The TFM general partner is ultimately controlled by Reade Griffith and Paddy Dear, who also control Tetragon's voting shareholder. Pursuant to an agreement between Reade Griffith and Paddy Dear, Reade Griffith is the controller of Tetragon's voting shares and TFM. As noted earlier, TFM is separately registered as an investment adviser with the SEC. Except where otherwise noted, information with respect to TFM is not included in this Brochure, but is otherwise available on that firm's Form ADV.

#### *TFG Asset Management's Internal Management*

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 that they manage, and is responsible for its own costs.

#### *Tetragon Investments in Funds Managed by a TFG Asset Management Business*

Tetragon invests in various funds and other vehicles managed by a TFG Asset Management business. It also provides financial support to various funds managed by TFG Asset Management businesses (such as a "seeding" arrangement), and provides equity, loans or other financial support to TFG Asset Management and its asset management businesses. TFM is responsible for any decision to invest cash into any fund or other vehicle managed by a TFG Asset Management business (TFM is also responsible for selecting third-party managers who invest in asset classes appropriate for Tetragon) and is also responsible for decisions regarding financial support for TFG Asset Management.

#### *TFM and TFG Asset Management's Responsibilities in Connection with the Acquisition of an Asset Management Business using Tetragon's Cash*

In connection with the acquisition of an asset management business using Tetragon's cash, TFM is responsible for, inter alia, the related financial and tax analysis, legal and financial due diligence, negotiation of definitive documentation, obtaining of any financing for the acquisition and other activities prior to the closing of the transaction. However, particularly in circumstances of an asset management business without any operating infrastructure (such as LCM prior to its acquisition in 2009) or of a joint venture or partnership arrangement with asset management professionals, where



infrastructure is an important aspect of the anticipated transaction (such as the GreenOak joint venture), TFG Asset Management (given its other potential opportunities and considerations) may also be responsible for aspects of the decision to acquire a given asset management business to the extent it would be providing infrastructure and other services to support that asset management business.

*TFM's responsibilities in Connection with the Growth and Oversight of Asset Management Businesses with 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 TFM) 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. TFM remains responsible for the management, oversight and/or supervision of TFG Asset Management as an investment. As such, TFG Asset Management is responsible for any restructuring or reorganization 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.

*Considerations with Respect to the Establishment and Continuance of TFG Asset Management Businesses which Receive Significant (>25%) financial support (such as a "seeding" arrangement) from Tetragon*

There is an expectation with respect to newly-launched funds or strategies managed by a TFG Asset Management business that the business will initially not be profitable until third-party assets under management grow and both management and performance fees accrue. Although, as noted above, TFM 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, TFG Asset Management is responsible for any decision to launch the fund or strategy, and any decision to continue to maintain the business given TFG Asset Management's other potential opportunities and considerations. In that regard, TFG Asset Management seeks to measure the anticipated costs of launching a new fund, or strategy managed by a TFG Asset Management business (including the opportunity cost), and compares these to the expected value creation in the medium term (including any synergies or other potential revenue streams).

For funds or strategies managed by a TFG Asset Management business where Tetragon has invested more than 25% of the assets under management, TFG Asset Management annually reassesses whether that business should continue to manage the relevant fund or strategy.

### *Services Agreements between TFM and Certain Subsidiaries of TFG Asset Management*

TFM has, since its inception, relied on two Polygon entities (Polygon Global Partners LP and Polygon Global Partners LLP (the Service Providers)) for a broad range of services to support its activities.

Following Tetragon's October 28, 2012, acquisition of TFG Asset Management L.P. (formerly, Polygon Management L.P.), these entities have been part of TFG Asset Management (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 this acquisition, also continues to rely on the Service Providers for certain services to support its activities). Under this Services Agreement, the Service Providers provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to TFM in exchange for fees payable by TFM to the Services Providers. One of those entities, Polygon Global Partners LLP, which as described above, is authorised and regulated by the FCA, also provides services relating to the dealing in and management of investments, arrangement of deals and advising on investments.

TFM, the Service Providers and LCM provide investment management, operational, financial control, trade execution and trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to Tetragon Credit Income. TFM does not charge TCI II, TCI III or Tetragon Credit Income any fees for any services provided (other than those existing fee arrangements it earns in its capacity as investment manager of Tetragon).

The Service Providers and LCM provide similar services to TCICM under certain services agreements (the TCICM Services Agreements).

### *Cost Recovery by TFG Asset Management for Services Provided to TFM*

TFG Asset Management, through its Polygon subsidiaries, has implemented a cost-allocation methodology with the objective of allocating service-related costs, including to TFM, in a consistent, fair, transparent and commercially-based manner. These arrangements present a potential conflict of interest between TFG Asset Management and TFM because the costs associated with providing services for the benefit of TFM, to the extent they are not properly allocated to TFM, would be borne by TFG Asset Management and therefore Tetragon. It should be noted that there is a similar conflict of interest between TFG Asset Management and TCICM II because the costs associated with providing services for the benefit of TFG Asset Management are borne entirely by Tetragon's

shareholders, whereas the costs associated with providing services for the benefit of TCICM II are borne by TCI II, whose owners include unaffiliated limited partners.<sup>3</sup>

TFG Asset Management charges fees to TFM for the services allocated to TFM on a cost recovery basis that is designed to achieve full recovery of the allocated costs. Most of the costs related to these services are directly or indirectly attributable to personnel or “human capital”, with compensation typically being the largest single cost.

Consequently, one of the most critical cost allocations is related to professionals’ time, which is commonly expressed as Full Time Equivalents or “FTEs”. On a monthly basis, each TFG Asset Management employee, 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 which removes any need on the part of those teams to allocate their FTEs to business lines). Once allocated percentages are determined and agreed, an FTE is derived. 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 TFM) based on the FTE allocation described above. Employee compensation also includes TFG Asset Management’s Long-Term Incentive Program (LTIP) and its other equity-based awards which are intended to give certain senior-level employees of TFG Asset Management long-term exposure to Tetragon stock. The costs of the LTIP and other existing equity-based incentive compensation awards include the principal and interest payable on a loan from Tetragon to TFG Asset Management in an initial principal amount equal to the purchase price of the Tetragon shares to be held to hedge against grants under such incentive programs.

Of the current Principals of TFM (Reade Griffith, Paddy Dear, Michael Rosenberg and David Wishnow), only Reade Griffith and Paddy Dear have allocated their time in the same way as other staff given that they are the only Principals to perform functions at TFG Asset Management (Reade Griffith as the Chief Investment Officer of TFG Asset Management and the CIO of Polygon’s European Event-Driven Equities strategy, in addition to other roles; Paddy Dear previously as the Co-Head of TFG Asset Management, in addition to other roles). The compensation that Reade Griffith and Paddy Dear receive from TFG Asset Management is entirely for functions specifically related to TFG Asset Management, including pursuant to the agreement covering Tetragon’s 2012 acquisition of Polygon, and accordingly none of such compensation is allocated to TFM. The non-compensation components of their FTEs (such as healthcare) have been allocated between TFM and TFG Asset Management in accordance with the FTE methodology. David Wishnow and Michael Rosenberg have been 100% allocated to TFM.

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<sup>3</sup> TCICM II is a wholly-owned subsidiary of TCI II. The Independent Advisory Committee of TCI II is required to approve the allocation costs to TCICM II, which are determined using the same methodology applied to TFM.

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 TFM (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 TFM. 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.

The amount recharged to TFM through the above-described cost allocation methodology in 2018 was \$17.6 million and in 2017 was \$17.3 million.

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

TFG Asset Management cost allocation methodology is documented and updated annually by TFG Asset Management's finance group in consultation with its legal and compliance group and is approved each year by TFG Asset Management's Executive Committee.

The methodology used to allocate costs forms part of the preparation of the financial statements of Tetragon and is therefore within the terms of reference of Tetragon's Audit 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) TFM 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.

TCICM II will compensate Polygon and LCM as agreed under the TCICM II Services Agreements; *provided* that in no event will the amount paid by TCICM II to affiliates of Tetragon Credit Income (including Polygon and LCM) exceed the fees received by TCICM II pursuant to its relevant collateral management agreements. The independent advisory committee of TCIP II has approved the terms of the TCICM II Services Agreements and the compensation to be paid thereunder, and on an ongoing basis, will approve the allocation of compensation and payment of fees to Polygon and LCM and any other affiliates thereunder.

*Nature of TFG Asset Management's Clients*

TFG Asset Management generally provides investment management, advisory and administrative services to affiliated partners of investment funds and other investment vehicles sponsored and managed by TFG Asset Management. These investment funds or other investment vehicles, clients or client accounts are typically U.S. and non-U.S. limited partnerships and other investment vehicles not registered or required to be registered under the U.S. Investment Company Act of 1940, as amended, referred to further herein as the Investment Company Act, or the U.S. Securities Act of 1933, as amended, referred to further herein as the Securities Act, and are privately placed to qualified investors in the United States and elsewhere or are established as dedicated investment vehicles and/or strategic partnership agreements for certain institutional investors.

TFG Asset Management does not participate as manager in any wrap fee programs.

#### *TFG Asset Management's Investment Mandates*

TFG Asset Management provides advisory services to clients based on specific investment mandates, objectives and strategies set forth in each client's governing documents (offering memorandum, limited partnership agreement or memorandum and articles of association and/or subscription documents). These documents typically contain investment guidelines for and/or investment restrictions imposed on the applicable fund or other client account. Separately, each fund or investment vehicle may impose additional investment restrictions or guidelines that correspond to the fund's particular investment objective, goal or strategy. TFG Asset Management performs services in accordance with the terms of each investment management agreement or other governing document. Offering memoranda are made available to investors only through TFG Asset Management or another authorized party.

### **Item 5            Fees and Compensation**

TFG Asset Management has intentionally omitted the full section on compensation for advisory services, as the Firm is an SEC registered adviser and this Brochure is being delivered only to "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act. The following is a general description of fees and expenses paid by TFG Asset Management's clients.

Except with respect to certain leveraged and non-leveraged vehicles or investment funds (including CLOs) managed by LCM, TFG Asset Management deducts all compensation described below automatically from clients' accounts pursuant to the relevant account's governing documents. The fees and compensation earned by the Firm may vary between investors pursuant to the terms of the fund or investment vehicle's governing documents or certain other arrangements with specific investors whereby such investor may receive direct or indirect reductions in fees or compensation otherwise payable to the Firm with respect to investments managed by the Firm.

### *Management Fees and Performance Fees or Carried Interest*

TFG Asset Management generally receives management fees, carried interest allocations and/or performance fees in connection with the investment management and administrative services that it provides to clients. Specific details of such fees and expenses associated with an investment in TFG Asset Management's funds or other accounts and their methods of calculation vary and are described in the relevant governing documents. TFG Asset Management may, in its discretion, manage other funds or accounts with higher or lower fees, different fee structures and different account arrangements. Adviser compensation is subject to waiver or reduction at the Firm's discretion. TFG Asset Management, its affiliates and certain of its principals and employees, or professionals invest in investment vehicles advised by TFG Asset Management. Certain of the Firm's professionals and other affiliates are subject to reduced or no management fees, performance fees and/or carried interest on their direct or indirect investment in funds or other investment vehicles. In addition, certain funds offer a zero fee class of shares or interests to certain investors, including charitable institutions and affiliates of TFG Asset Management.

#### *Clients of TFG Asset Management (excluding LCM and TCICM)*

##### *Management Fee*

TFG Asset Management is typically paid a management fee that is a percentage of the net asset value (NAV) or account balance of the relevant fund or client account or as otherwise may be agreed. Such fees are typically paid monthly in advance. As redemptions from the funds are generally limited to specified redemption dates falling at month end, TFG Asset Management would not be required to refund any pre-paid management fees. If services with respect to a particular client account are terminated prior to the complete rendering of services for the period, TFG Asset Management would refund to the relevant client an amount of management fees prorated from the date of our termination to the end of the period covered by the advance fee.

##### *Performance Fee or Carried Interest*

TFG Asset Management may receive an incentive fee, performance fee or "carried interest" from clients in connection with the performance of advisory duties. Incentive and performance fees may equal 20% of an investor's share of the client's NAV appreciation (realized as well as unrealized) and may be subject to applicable hurdles and/or high-water marks. Such fees are typically based on calendar year performance. Where applicable, TFG Asset Management receives carried interest from clients, when distributions occur to underlying investors and only upon achieving agreed targets. As a result, TFG Asset Management does not receive carried interest on a regularly scheduled basis.

### *Clients of LCM and TCICM*

LCM's and TCICM's fees and compensation vary depending on the particular CLO, fund, account or other vehicle managed. Such fee and compensation terms are described in the applicable offering documents, management agreement, client account agreement or other relevant document. The following is a general description of the types of fees associated with certain CLOs managed by LCM or TCICM. Both can also manage other CLOs, funds or accounts with higher or lower fees, different fee structures and schedules, and different expense payment arrangements than those described below or in other prior or current CLOs, funds or accounts.

In general, LCM and TCICM, each as a CLO manager, is entitled to receive collateral management fees, which typically consist of a senior collateral management fee, subordinated collateral management fee and an incentive collateral management fee as well as the reimbursement of certain expenses.

A typical senior collateral management fee would be approximately 0.15% to 0.20% per year of the value of the managed collateral. A typical subordinated collateral management fee would be approximately 0.30% to 0.35% per year of the value of the managed collateral. The senior collateral management would be placed higher in the applicable priority of payments provision of the CLO's indenture or other governing document. Finally, an incentive collateral management fee or additional incentive return in the form of a profits interest may be payable to them or an affiliate subsequent often to holders of the lowest rated tranche of notes or interests having surpassed a specified internal rate of return, such as 12%. This fee may be approximately 20% of the proceeds in excess of the identified internal rate of return.

Collateral management fees and incentive collateral management fees are generally paid quarterly pursuant to a distribution waterfall that sets out a priority of payments.

TCICM sub-advisor's will typically earn a substantial portion of the various management and incentive fees from the CLOs for which TCICM acts as collateral manager.

### *Expenses*

#### *Organizational Expenses*

Clients also pay for certain expenses related to their organization, such as legal expenses, accounting expenses, filing expenses and fees incurred in connection with organizing and establishing the fund and its affiliates and expenses incurred in connection with marketing and offering of interests in the fund and its affiliates (including travel expenses and printing costs or other similar amounts, incurred in connection with the offering of interests in the fund and its affiliates but excluding placement

fees). Certain clients may have a cap on the previously listed expenses, as described in the offering materials, disclosure documents and/or governing document of the relevant clients.

### *Operational Expenses*

Clients also pay for expenses related to their operation, such as any fees, costs and expenses directly related to the purchase, holding and sale of the client's investments (including principal, interest on and fees and expenses arising out of, all fund borrowings and certain travel expenses), as well as brokerage commissions and other transaction expenses (for further information regarding brokerage commissions see Item 12 – Brokerage Practices), expenses of any administrators, custodians, counsel and accountants (including the audit and certification fees and costs of printing and distributing reports to the client's investors), insurance, indemnity or litigation expense, expenses relating to legal and regulatory compliance (*i.e.*, Form PF and other required regulatory filings relating to a specific investment or client), asset and property management services, registered office fees and filing fees, directors' fees (if any), certain taxes, fees or other governmental charges levied against the client and expenses for transactions not completed (including amounts payable to third parties and all fees and expenses of lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated and any deposits or draw-down payments that are forfeited in connection with unconsummated transactions).

Clients also pay indirect operational expenses; examples that fall within this category are information technology costs as well as market data and research costs. Information technology consists of software tools, programs or other information technology and data subscription services. These costs include computer software and hardware, electronic equipment or information technology services purchased from third-party vendors, including risk analysis software and costs and expenses incurred with respect to research publications, materials, equipment and services. Indirect operational expenses are allocated to certain clients in accordance with governing documents and the Firm's expense allocation methodology that seeks to fairly allocate indirect operational expenses among relevant clients.

TFG Asset Management seeks to allocate such expenses among the applicable clients and the applicable investments of each client in a fair and reasonable manner.

## **Item 6            Performance Based Fees and Side-by-Side Management**

Performance-based fees and allocations are described in the offering documents or agreement of the relevant client and have been described generally in the preceding section, Item 5 – Fees and Compensation.



The Firm and its professionals may have differing investment or pecuniary interests in different funds or other accounts managed by the Firm. The Firm may face a potential conflict of interest when (i) actions taken on behalf of one client may impact other clients (*i.e.*, where accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments or have differing abilities to engage in short sales and economically similar transactions) and/or (ii) the Firm or its professionals have differing interests in such client accounts (*i.e.*, where the Firm or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures) because the Firm may have an incentive to favour certain client accounts over others that may be less profitable. Such conflicts may present particular concern when, for example, the Firm places, or allocates, securities transactions that it believes could more likely result in favourable performance. Likewise, differing performance fees, including the non-existence and existence of such fees, may create an additional incentive for the Firm or its affiliates to make riskier or more speculative investments on behalf of clients paying such performance fee or allocation or to otherwise favour such clients when making an investment decision than would be the case in the absence of these arrangements.

As a registered investment adviser, TFG Asset Management exercises due care to ensure that investment opportunities are allocated equitably among all clients, regardless of the client's corresponding fee structure. As such, in order to mitigate such conflicts, the Firm maintains certain policies and procedures, including the Investment Allocation Policies & Procedures, with the aim to guide reasonable allocation of investment opportunities among clients in a fair and equitable manner, which includes taking into account clients' respective investment objectives and without consideration given to performance fees or other similar factors. For further information, please see Item 11 – Investment Allocation.

## **Item 7           Types of Clients**

TFG Asset Management provides investment management services to individuals and institutional investors, who qualify as an “accredited investor” and/or a “qualified purchaser” or, in the case of professionals, a “knowledgeable employee” (each as defined in Regulation D under the Securities Act and/or the Investment Company Act). The Firm's clients are mainly pooled investment vehicles or funds and separately managed accounts. Its clients that are funds rely on certain exclusions from the definition of “investment company” in the Investment Company Act. Accordingly, none of TFG Asset Management's funds are registered as investment companies with the SEC.

Additionally, the Firm's subsidiaries LCM and TCICM currently serve, and may in the future serve, as collateral managers or managers of various CLO vehicles, funds, managed accounts or other investment vehicles.

The Firm determines in its sole discretion any requirements for entering into an investment advisory contract or otherwise opening or maintaining a fund or other client account. Each of TFG Asset Management's clients, in turn, may impose their own requirements, including minimum investment size and satisfaction of other relevant criteria, including requiring that each investor in such client is both an "accredited investor" and a "qualified purchaser." A broad range of U.S. and non-U.S. institutional investors, including, among others, governmental and corporate pension and profit sharing plans, registered investment companies, financial institutions, trusts, pooled investment vehicles, charitable organizations, foundations, endowment funds, corporations, other business entities, state and municipal entities and certain high net worth individuals and family offices invest in the Firm's funds and other clients. Additionally, the Firm's professionals and other persons associated with the Firm or its affiliates may make capital contributions to the Firm's funds.

#### **Item 8           Methods of Analysis, Investment Strategies and Risk of Loss**

As noted above in response to Item 4, the Firm advises private funds, separately managed accounts and/or other investment vehicles that aim to maximize investment returns through investments that offer the opportunity for enduring alpha generation. In an effort to achieve this, the Firm's investment teams each employ investment processes that incorporate various methods of securities and investment opportunity analysis, such as charting and cyclical, fundamental, technical, macro and/or quantitative modeling. The Firm seeks to conduct reasonable and appropriate diligence of its investments based on the facts and circumstances applicable to each investment opportunity. When conducting diligence and making an assessment of an investment opportunity, the Firm sources information from a variety of sources, including financial newspapers, magazines, websites, trade journals, inspections of corporate activities, annual reports, prospectuses, filings with the SEC or non-U.S. regulators, company press releases, corporate rating services, internal and third-party research reports and meetings, company presentations/interviews, internal or external assessments, including assessments of general or specific world events and other sources of material deemed appropriate.

TFG Asset Management invests in and actively trades securities and other financial instruments using a variety of strategies and investment techniques with significant risk characteristics, including the risks arising from the volatility of the equity, fixed-income, commodity and currency markets, the risks of borrowings and short sales, the risks arising from leverage associated with trading in the equities, currencies and over-the-counter derivatives markets, the illiquidity of derivative instruments and the risk of loss from counterparty defaults. Additionally, no method of securities analysis can guarantee a particular investment result or outcome and the use of investment tools cannot and does not guarantee investment performance. The methods of analysis utilized by the Firm involve the inherent risk that any valuations, pricing inefficiencies or other opportunities identified may not materialize or have the anticipated impact on the price of a security. Each method of analysis relies in varying degrees on information furnished from third-party and publically available sources. This presents the risk that methods of analysis may be

compromised by inaccurate, incomplete, false, biased or misleading information. Assumptions used for modeling purposes may prove incorrect, unreasonable or incomplete and the Firm cannot be certain that its due diligence performed with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

Firm clients may utilize leverage which can, in certain circumstances, substantially increase the adverse impact to which a client's investment will be subject. An investment with TFG Asset Management is suitable only for sophisticated investors who are capable of evaluating the merits and risks involved and who have sufficient resources to be able to bear any losses (which may equal the whole amount contributed) that may result. Prior to investing with TFG Asset Management, prospective investors should consider carefully TFG Asset Management's objectives and the risk factors described below and those described in the relevant fund client's offering materials, disclosure documents and/or governing document.

#### *Methods of Analysis and Investment Strategies*

As a multi-strategy platform, TFG Asset Management seeks to build investment vehicles that leverage the Firm's specific areas of expertise and track records. TFG Asset Management is focused on investing in areas where it believes there is the opportunity for enduring alpha generation, and on working with groups and individuals that have demonstrated their ability over different business cycles.

For each strategy, TFG Asset Management seeks to ensure compatibility of the underlying assets and strategy terms (including, liquidity and capacity) and alignment of its investors' interests with its own.

Examples of certain of the funds and their strategies are set out below:

#### *European Event Driven Strategy*

The investment objective of the Polygon European Equity Opportunity Fund (and its affiliated funds) is to seek superior risk adjusted returns. It seeks to achieve its investment objective by pursuing an investment strategy of (i) investing in equity and other securities issued by certain targeted small and mid-cap European companies with potentially significant valuation re-rating upside and (ii) opportunistically investing in attractive short-duration, liquid recapitalization or other newly issued securities and merger arbitrage positions. As equity and credit markets normalize and other opportunities arise in European equities, the fund may broaden its strategy to pursue a wide range of European event-driven and merger arbitrage opportunities, including through investments in large-cap equity opportunities.

The fund invests predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions.

#### *Convertible Securities Strategy*

The investment objective of the Polygon Convertible Opportunity Fund (and its affiliated funds) is to seek superior risk adjusted returns. It seeks to achieve its investment objective primarily from investments (directly or indirectly) in or relating to, convertible securities. Investments may be made pursuant to various investment strategies and on the basis of fundamental, quantitative, technical and other security, event or company specific research. Strategies may be established, for example, to capitalize on opportunities in credit, equity, or volatility either on a security specific or relative value basis or within a firm's capital structure.

#### *Global Equities Capital Markets Strategy*

The investment objective of the Polygon Global Equities Fund (and its affiliated funds) is to seek superior risk adjusted returns. It seeks to achieve its investment objective by investing in initial public offerings and other special situations in the United States and other jurisdictions around the world. The fund may invest in a broad range of special situations, including but not limited to equity re-capitalizations, initial public offerings and other capital markets driven situations.

#### *Recovery Fund Strategy*

Polygon Recovery Fund L.P., referred to further herein as the Polygon Recovery Fund, was established to provide investors exposure to an identified portfolio of securities, or the portfolio securities. The portfolio securities currently mainly comprise investments in Europe across multiple industries, including retail. The Polygon Recovery Fund seeks to dispose of its portfolio securities in an orderly manner intended to maximize value for all partners within the term of the partnership and is not currently offering securities for subscription.

#### *Hawke's Point Mining Strategy*

The Hawke's Point mining strategy aims to provide non-traditional financing for mining and resource sector companies. It seeks to achieve its investment objective primarily through investments in opportunities to acquire, develop, restructure or manage mining related projects or enterprises.

#### *Loan Strategy*

LCM is a specialist in below-investment grade U.S. leveraged loans and other credit products, and employs an active credit risk management style. Generally under the CLOs it manages, LCM may pursue any investment strategy that is consistent with the governing documents of such fund (including, any collateral management agreement), and may in its sole discretion change such strategy from time to time in the future without the approval of, or prior consultation with, any investor in such fund.

### *CLO Investments Strategy*

The investment objective of Tetragon Credit Income (and its affiliated vehicles) is to achieve current income from investments for distribution and, in certain circumstances, the potential for capital appreciation of investments for distribution. To achieve this investment objective, the strategy is to, primarily, (i) invest (directly and indirectly) in the residual tranches of a broad range of CLOs, including CLOs managed or sub-advised by LCM, (ii) invest in loans and CLO debt securities, and (iii) act alone or with or through its affiliates, entering into strategic partnerships and arrangements with CLO managers, which could include, on a limited basis, acquiring interests in such managers or related parties.

The TCICM strategy is to act as a CLO collateral manager for certain CLO investments. It currently manages loan assets exclusively through CLOs (which includes warehouse vehicles created in anticipation of future CLOs), which are long-term, multi-year investment vehicles. At this time, TCICM utilizes, and expects to continue to utilize, the investment expertise of certain third-party sub-advisors to assist in the management of its CLOs.

### *Risks Relating to TFG Asset Management Generally*

*The asset management business is intensely competitive.*

The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. TFG Asset Management competes with a number of private equity funds, specialized investment funds, hedge funds, funds of hedge funds and other sponsors managing pools of capital, as well as corporate buyers, traditional asset managers, commercial banks, investment banks and other financial institutions (including sovereign wealth funds). A number of factors serve to increase its competitive risks:

- a number of its competitors in some of its businesses have greater financial, technical, marketing and other resources and more personnel than it does;

- some of its funds may not perform as well as competitors' funds or other available investment products;
- several of its competitors have significant amounts of capital, and many of them have similar investment objectives to TFG Asset Management, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to TFG Asset Management, which may create competitive disadvantages for it with respect to investment opportunities;
- some of its competitors may be subject to less regulation or less regulatory scrutiny and accordingly may have more flexibility to undertake and execute certain businesses or investments than it can and/or bear less compliance expense than it does;
- some of its competitors may have more flexibility than TFG Asset Management in raising certain types of investment funds under the investment management contracts they have negotiated with their investors;
- some of its competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than TFG Asset Management for investments that it wants to make;
- there are relatively few barriers to entry impeding new alternative asset fund management firms, and the successful efforts of new entrants into TFG Asset Management's various businesses, including former "star" portfolio managers at large diversified financial institutions as well as such institutions themselves, is expected to continue to result in increased competition;
- some of its competitors may have, or be regarded by investors as having, better expertise in a specific asset class or geographic region than it does;
- its competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment; and
- some investors may prefer to invest with an investment manager that is not publicly traded, is smaller or manages fewer investment products.

TFG Asset Management may lose investment opportunities in the future if it does not match investment prices, structures and terms offered by competitors. Alternatively, it may experience decreased rates of return and increased risks of loss if it does match investment prices, structures and terms offered by competitors. Moreover, if it is forced to compete with other alternative asset managers on the basis of price, it may not be able to maintain its current fund fee and carried interest terms. TFG Asset Management has also confronted, and expects to continue to confront, requests from a variety of investors and groups representing investors to decrease fees.

*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.*

In the event that any TFG Asset Management investment funds and vehicles were to perform poorly, TFG Asset Management's revenue, income and cash flow would decline because the value of its assets under management would decrease, which would result in a reduction in management fees, and its investment returns would decrease, resulting in a reduction in incentive fees earned.

Poor performance of TFG Asset Management investment funds and vehicles could make it more difficult to raise new capital. Investors might withdraw their investments as a result of poor performance of the investment funds in which they are invested. Investors and potential investors in TFG Asset Management funds continually assess the investment funds' performance, and TFG Asset Management's ability to raise capital for existing and future investment funds and avoid excessive redemption levels will depend on its investment funds' and vehicles' continued satisfactory performance. Accordingly, poor fund performance may deter future investment in TFG Asset Management funds and thereby decrease the capital invested in such funds and ultimately, management fee income. Alternatively, in the face of poor fund performance, investors could demand lower fees or fee concessions for existing or future funds which would likewise decrease revenue. A significant number of fund sponsors have decreased the amount of fees they charged investors for managing existing or successor funds as a direct result of poor fund performance. TFG Asset Management's ability to raise capital from third-party investors also depends on factors that are outside its control. Certain factors, such as the performance of the stock market or the asset allocation rules or regulations or investment policies to which such third-party investors are subject, could inhibit or restrict the ability of third-party investors to make investments in TFG Asset Management investment funds or the asset classes in which TFG Asset Management investment funds and vehicles invest.

The attractiveness of TFG Asset Management investment funds relative to investments in other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect TFG Asset Management's ability to make successful investments and limit its ability to raise future investment funds, either of which would adversely impact its business, revenue, results of operations and cash flow.

Certain of TFG Asset Management's businesses have a limited or no operating history and the performance of the various TFG Asset Management businesses otherwise may be negatively influenced by factors specific to those businesses.

*The performance of TFG Asset Management may be negatively influenced by its ability to retain key personnel.*

TFG Asset Management is highly dependent on its investment professionals for the management of its *investment funds and vehicles* and on other employees for supervision of its asset management businesses. If and when such persons ceased for any reason to participate in the management of TFG Asset Management or its *investment funds and vehicles*, the consequence could be material and adverse.

*The asset management business is subject to extensive regulation.*

Asset management and financial advisory businesses are subject to extensive regulation, which affects TFG Asset Management's activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on TFG Asset Management's business. Legislative and regulatory changes in the United States, such as the Dodd-Frank Act, and the European Union, such as the Alternative Investment Fund Managers Directive, the second Markets in Financial Instruments Directive (MiFID II) and the European Market Infrastructure Regulation, could adversely affect TFG Asset Management's business.

*Misconduct of TFG Asset Management employees or by those at its asset management companies could harm TFG Asset Management by impairing its ability to attract and retain clients and subjecting it to significant legal liability and reputational harm.*

There is a risk that TFG Asset Management employees could engage, or be accused of engaging, in misconduct that adversely affects TFG Asset Management's business. TFG Asset Management is subject to a number of obligations and standards arising from its business and its authority over the assets it manages. The violation of these obligations and standards by any of its employees would adversely affect its clients and TFG Asset Management. TFG Asset Management may also be adversely affected if there is misconduct by personnel of its asset management businesses, even though it may be unable to control or mitigate such misconduct. TFG Asset Management's business often requires that it deal with confidential matters of significance to companies in which it may invest. If its employees were improperly to use or disclose confidential information, TFG Asset Management could suffer serious harm to its reputation, financial position and current and future business relationships, as well as face potentially significant litigation. It is not always possible to detect or deter employee misconduct, and the precautions TFG Asset Management takes to detect and prevent this activity may not be effective in all cases. If any TFG Asset Management employees



were to engage in misconduct or were to be accused of such misconduct, TFG Asset Management's business and its reputation could be adversely affected.

*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.*

As TFG Asset Management has expanded and as it continues to expand the number and scope of businesses in which it invests, it increasingly confronts potential conflicts of interest relating to its activities. Certain of its funds or vehicles have overlapping investment objectives, including funds that have different fee structures, and potential conflicts will arise with respect to decisions regarding how to allocate investment opportunities among those funds or vehicles. There are similar conflicts of interest created by contemporaneous trading by TFM on behalf of Tetragon and investment managers that are part of TFG Asset Management which are further discussed below. To the extent TFG Asset Management fails to appropriately deal with any such conflicts, it could negatively impact its reputation and ability to raise additional funds or result in potential litigation or regulatory action against it.

#### *Certain Investment Strategy Risks*

##### *European Event Driven Strategy*

European-listed equity securities investments are subject to various risks, many of which are beyond TFG Asset Management's control. Risks or events which could negatively affect such equity security investments include, but are not limited to:

- increased volatility in the market price and with respect to trading volume of the equity securities;
- increased uncertainty and government intervention in global financial markets;
- leverage and financing risk and the use of options, futures, short sales, swaps, forwards and other derivative instruments potentially magnifying losses; fluctuations in currency exchange rates;
- market illiquidity; and
- exacerbation of the sovereign debt crisis in the Eurozone.

The fund invests predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions.

### *Convertible Securities Strategy*

Convertible securities are subject to various risks, many of which are beyond TFG Asset Management's control. Risk or events which could negatively affect convertible security investments include, but are not limited to:

- declining credit quality of issuers of the convertible securities;
- increased volatility in the market price and with respect to trading volume of the underlying equity into which the convertible securities are convertible;
- leverage and financing risk and the use of options, futures, short sales, swaps, forwards and other derivative instruments potentially magnifying losses;
- fluctuations in interest rates and currency exchange rates; and
- market illiquidity.

### *Mining Securities Strategies*

In addition to the risks discussed above associated with equity investments generally, risks or events which could negatively affect mining-industry related equity investments include, but are not limited to:

- Hazards such as fire, explosion, floods, structural collapses, industrial accidents, unusual or unexpected geological conditions, ground control problems, power outages, inclement weather, cave-ins, accidental discharge of hazardous materials, seismic activity, rock bursts and mechanical equipment failure are inherent risks for resource issuers. Safety measures implemented by resource issuers may not be successful in preventing or mitigating future accidents and such issuers may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. Insurance against certain environmental risks is not generally available to resource issuers.
- While a resource issuer may have registered its mineral exploration and mining rights with the appropriate authorities and filed all pertinent information to industry standards, this cannot be construed as a guarantee of title. Prospecting and mining rights may be subject to prior unregistered agreements, transfers, claims and title may be affected by undetected defects. A successful challenge to the precise area and location of these claims could result in a resource issuer being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties. This could result in the issuer not being compensated for its prior expenditures relating to the property.

- Resource activities are subject to extensive controls and regulations imposed by various levels of government around the world that may be amended from time to time. A resource issuer's operations may require licenses and permits from various governmental authorities. There can be no assurance that resource issuers in which invested will be able to obtain all necessary licenses and permits or obtain them in a timely manner.
- There is no certainty that expenditures made by resource issuers towards the search and evaluation of metals and minerals will result in discoveries of mineral occurrences. There is no assurance that even if commercial quantities are discovered that a new ore body would be developed and brought into production.
- A resource issuer's ability to reach, maintain or increase production depends not only on its ability to exploit existing properties, but also on its ability to select and acquire suitable properties or prospects for exploration. Few properties that are explored are ultimately developed into producing mines. Even if a resource issuer reaches production, its ability to perform at expected levels of output will be dependent on a number of factors, many of which may be beyond the issuer's control.
- Commodity prices are unstable and are subject to fluctuation. The price of most commodities is affected by numerous factors beyond the control of resource issuers. Any material decline in commodity prices could result in a reduction of a resource issuer's production revenue. The economics of certain properties and facilities may change as a result of lower commodity prices. All these factors could result in a material decrease in the business activities of any single resource issuer, or resource issuers generally.
- Most resource activities involve making substantial capital expenditures for the acquisition, exploration, development and production of commodities. If a resource issuer has no revenue or if its revenues decline, it may have limited ability to expend the capital necessary to undertake or complete future activities, and may be dependent on various financing transactions or arrangements. Failure to raise adequate financing when needed can have a material adverse effect on an issuer's business.
- Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure and equipment. Reliable roads, bridges, power sources and water supply affect capital and operating costs and the completion of the development of resource projects. Disruptions in the supply of products or services or breakdown or failure of equipment required for their activities in any of the jurisdictions in which resource issuers operate would also adversely affect their business, results of operations, financial condition, cash flows and prospects.

- There are numerous uncertainties inherent in estimating the quality and quantity of mineral deposits, and any cash flows to be potentially derived therefrom, many of which are beyond the control of resource issuers. Actual production, if any, and cash flows derived therefrom, if any, may vary from a resource issuer's expectations and such variations could be material.
- The mining industry is competitive in all of its phases. A resource issuer may be competing with companies that have greater liquidity, greater access to credit and other financial resources, newer or more efficient equipment, lower cost structures, more effective risk management policies and procedures and/or a greater ability than the issuer to withstand losses.
- Mining operations are subject to various laws and regulations governing the protection of the environment, waste disposal, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, some mining operations may require the submission and approval of environmental impact assessments.

Mining companies often operate in foreign countries, where there are added risks and uncertainties due to the different economic, cultural and political environments. Mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation relating to the mining industry.

#### *Risks relating to the Mining Securities and Financing Strategies*

Hawke's Point may invest in businesses that engage in exploration, including businesses that have no reserves. Exploration is an unpredictable business involving a high degree of risk. For example, the exploration efforts of a company may be slowed and additional costs may be incurred due to the unavailability of necessary equipment. There is no guarantee that mineralization of any commercial level will exist or be found by companies engaging in exploration, so such investments may be entirely speculative in nature. Moreover, acquiring and exploring for natural resources themselves involve many risks. These risks include encountering unexpected formations or pressures, premature declines of mines, blow-outs, equipment failures and other accidents, cratering, sour gas releases, adverse weather conditions, pollution, fires, spills and other environmental risks. Operations could result in liability for personal injuries, property damage, discharge of hazardous materials, remediation and clean-up costs and other environmental damages, and in substantial fines and penalties from government regulators, and such costs may not be fully covered by insurance.

### *Distressed Securities Strategies*

Distressed securities strategies are subject to various risks. Risks or events which could negatively affect distressed investments include, but are not limited to:

- difficulty in obtaining information as to the true condition of the issuer;
- potential for abrupt and erratic market movements and above average price volatility of the securities; and
- potential for litigation.

### *Investments in Distressed, Bankrupt or Special Situation Companies*

Clients may invest in securities of issuers that are in a weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial and business risks that can result in substantial or total losses. It frequently may be difficult to obtain information as to the financial conditions of troubled issuers. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and there may be wide spreads between the bid and ask prices of such securities. The ability of such companies to pay their debts on schedule and the market values of their debt securities could be affected substantially by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is particularly high. Such types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by the Firm on behalf of its clients. To the extent that the Firm becomes involved in such proceedings, the relevant client may have a more active participation in the affairs of the issuer than that assumed generally by an investor. TFG Asset Management's clients, however, do not generally make investments for the purpose of exercising day-to-day management of any issuer's affairs.

TFG Asset Management's clients may also make speculative purchases of "special situation" securities. Such purchases may include securities that the Firm believes to be undervalued, or may involve situations where a significant position in the securities of a particular company has been acquired by other persons or where companies in the same or a related industry have recently been the target of acquisition attempts. If TFG Asset Management's clients purchase securities in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization

does not in fact occur during the time frame anticipated by the Firm, the clients may sell the securities at a material loss. A substantial period of time may elapse between the client's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the client's assets would be committed to the securities purchased, and the client may have financed such purchases with borrowed funds on which it would have to pay interest. In liquidations and other forms of corporate reorganizations, there is a risk that the reorganization will be unsuccessful, will be delayed or will result in a distribution of cash or a new security with a value less than the client's purchase price of the underlying security.

The Firm attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investment a client will make in specific "special situation" securities. However, many risks, such as the outcome of governmental approvals or the outcome of pending or threatened litigation, cannot be quantified.

### *Infrastructure Strategy*

Investments in infrastructure projects are subject to specific risks including, but not limited to:

- construction risks during the construction phase of the project, including delays, unexpected costs and cost overruns, defects, limitations on the liability of construction contractors and default or insolvency of construction contractors;
- subcontractor risks, including subcontractors failing to provide services sufficient to meet the project's standards for service and default or insolvency of subcontractors;
- financing risks, including interest rate risk, the availability of financing on terms to allow competitive bidding for projects and returns on projects or to refinance existing indebtedness on projects, which may be affected by factors including general economic conditions and financial and credit markets;
- limited diversity because investments are concentrated in a small number of projects, which may cause overall returns to be adversely affected by unfavorable performance of one project;
- public sector procurement policies and procedures, which affect factors including the availability of opportunities to invest in projects, competition for projects and early termination of projects; and
- long investment horizons, which may result in unfavorable returns due to factors including inflation and inaccurate assumptions in modeling for projects.

### *CLO Investments and Risk Retention Strategy*

Tetragon Credit Income has a limited prior operating history and it may be unable to successfully operate its business or achieve its investment objectives. TFG Asset Management has organized Tetragon Credit Income in connection with Tetragon's efforts to deploy capital and resources focused on CLO investments, including majority stakes in CLO equity tranches. Tetragon, together with certain third-parties, is a significant investor in Tetragon Credit Income's affiliated investment vehicle.

Tetragon Credit Income, acting through one or more affiliated investment vehicles, intends to hold a controlling financial interest (or a majority equity interest) in certain of the sponsors (including LCM) and/or co-sponsors of CLOs, which entities also serve as manager and/or co-manager of such CLOs. If the structures and arrangements established by Tetragon Credit Income were, in the future, determined to subject Tetragon Credit Income, its affiliated investment vehicle, any other Tetragon affiliate or any third-party manager to unacceptable regulatory risk, Tetragon Credit Income's ability to make investments would likely be severely and negatively limited and arrangements with third-party managers may be terminated as a result.

*TCICM is a new business with a limited operating history and changes in laws or regulations may adversely affect TCICM's business and performance.*

TCICM is intended to act as a CLO collateral manager and sponsor of CLO transactions as further described below. In connection with these CLOs, it is expected that TCICM will enter into sub-advisory arrangements with third-party CLO managers. In connection with such arrangements, TCICM has entered, and is expected to enter, into a collateral management agreement with the relevant CLO issuer and a sub-advisory agreement or similar services agreement with a third-party CLO manager, whereby such third-party CLO manager will provide sub-advisory services to the applicable CLO portfolio.

TCICM is expected to have limited assets, particularly in its early stages, consisting primarily of the portion of collateral management and incentive fees and other amounts payable to it in respect of CLOs (which are not paid to other parties), CLO collateral management contracts, rights under any sub-advisory contracts and any capital contributed to it. It will rely on services agreements with affiliated entities, and to access CLO capital from Tetragon Credit Income's affiliated investment vehicles. There is no assurance that any particular investment or other professionals who are performing services under such services arrangements will remain available to TCICM.

*The activities of Tetragon Credit Income create conflicts of interest.*

Certain inherent conflicts of interest arise from the fact that Tetragon Credit Income currently provides investment management services to, and has voting control over, other investment funds and is expected to, in the future, carry on investment activities for other clients, including other investment funds, CLOs, client accounts and proprietary accounts in which Tetragon may have no interest and whose respective investment programs may or may not be substantially similar. Participation in specific investment opportunities may be appropriate at times for both Tetragon and such other investment programs. In particular, the investment program of such other investment funds allow investments in CLOs and other instruments in which Tetragon will invest, which may lead TFM to pursue investment opportunities other than in the way most advantageous to Tetragon or will result in such investment opportunities not being allocated to the company.

In addition, the portfolio strategies employed for other investment programs could conflict with the transactions and strategies employed in managing Tetragon's portfolio and affect the prices and availability of the securities and instruments in which Tetragon invests and the value of Tetragon shares. Conversely, participation in specific investment opportunities may be appropriate (due to, among other things, the same or substantially similar investment objectives), at times, for both Tetragon and any other client or investment program managed by Tetragon Credit Income. In such cases, participation in such opportunities will be allocated among Tetragon Credit Income, Tetragon and other members of the Tetragon group in accordance with an approved allocation policy. Pursuant to such allocation policy, participation in investment opportunities will generally be allocated on a fair, reasonable and equitable basis, taking into account such factors as:

- the respective investment programs;
- the amount of capital available for new investments;
- relative exposure to short-term and long-term market trends;
- account size and gross portfolio size;
- available transaction terms;
- existing portfolio positions;
- existing portfolio liquidity; and
- other factors known to the relevant portfolio manager that may affect the feasibility of any particular trade.

Such considerations may result in allocations of certain investments on other than a *pari passu* basis. Without limiting the foregoing allocation policy, it is expected that Tetragon and other members of the Tetragon group will not (i) make any "new issue" CLO residual tranche investment (whether



LCM or third-party managed) where one or more vehicles for which Tetragon Credit Income acts as general partner are not an investor in such CLO or (ii) acquire any “secondary” residual tranches or CLO debt securities unless either (x) Tetragon or any other member of the Tetragon group already holds a majority interest in the residual tranche of such CLO, in which case such entity at its discretion would be allocated the investment unless it is determined that it does not want the investment opportunity or (y) Tetragon Credit Income determines that it does not want the investment opportunity. Finally, it is intended that Tetragon and other clients or investment programs managed by members of the Tetragon group will not hold investments in different competing tranches of the capital structure (*i.e.*, debt securities versus residual tranches) of a particular CLO such that one client holds the residual tranche and another client holds competing debt securities of such CLO.

Furthermore, the vehicles for which Tetragon Credit Income acts as general partner are expected from time to time to make investments in CLOs, and will be entitled to receive payments from, or be charged discounted management fees by, LCM and other collateral managers, and are expected to purchase CLO securities at a discount, as a result of such vehicles also making equity investments in CLOs of such collateral managers. However, to the extent that any such vehicle makes investments on the secondary markets in residual tranches or debt securities of CLOs (including CLOs managed by LCM), the vehicle will generally not be able to obtain discounts regarding management fees or otherwise. In addition, TFG Asset Management or its affiliates will have or receive an interest in CLO managers who manage CLOs in which such vehicles have invested or will invest whether or not such entities are entitled to receive payments from, or be charged discounted management fees by, such collateral managers, and other members of the Tetragon group will be involved in such transactions and receive consideration in respect thereof.

#### *Recovery Fund Portfolio Concentration*

Polygon Recovery Fund investors have exposure to the limited investment portfolio comprised of the Recovery Fund’s positions, or portfolio securities and certain new investments made for purposes of managing or disposing of the portfolio securities. Although the portfolio securities are comprised of only a few remaining positions and poor performance by one or more of the portfolio securities could adversely affect the fund’s total returns and profitability.

#### *Event-Driven Trading Strategies*

Event-driven trading strategies generally seek to earn absolute returns from the purchase and/or sale of financial instruments based on anticipated outcomes of certain events. These events may be “micro” events such as company specific or transaction specific situations. Alternatively, these events may be “macro” events such as changes in U.S. and non-U.S. government policies and economies with respect to particular business sectors or commodities, U.S. and non-U.S. political

and economic events and changing trade prospects. In addition to the fundamental analysis regarding these events, a range of statistical and technical analysis may also be implemented to help determine the particular fundamentals that are relevant for price valuation.

### *Special Investment Instruments and Techniques*

Clients may use a variety of special investment instruments and techniques to hedge against various risks (such as changes in interest rates or other factors that affect security values) or for non-hedging purposes. These strategies may be executed through derivative transactions and may involve options, including puts and calls, and options on stock indices, forward contracts, futures, swaps and other types of derivatives transactions and investments. The instruments used and the manner in which such instruments are used may change over time as new instruments and techniques are developed or regulatory changes occur. Derivatives and special investment instruments and techniques are speculative and involve a high degree of risk, particularly in the context of non-hedging transactions.

### *Risks relating to the Loan Strategy*

CLO investments are in the form of highly subordinated securities, which are susceptible to losses of up to 100% of the initial investments, including losses resulting from changes in the financial rating ascribed to, or changes in the market value or fair value of, the underlying assets of an investment.

CLO vehicles generally invest in fixed income securities rated lower than Baa by Moody's Investor Services (Moody's) or lower than BBB by Standard & Poor's Financial Services (S&P) (or, if not rated, of comparable quality) and may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments.

Defaults, their resulting losses and other losses on underlying assets (including bank loans) may have a negative impact on the fair value of Firm investments and cash flows received.

CLO investments are and will be illiquid and have values that are susceptible to changes in the ratings and market values of such vehicles' underlying assets, which can make it difficult to sell certain holdings.

The ability of securitization vehicles to sell assets and reinvest the proceeds may be restricted, which can reduce the yield from such investments.

CLO investments and the related underlying assets are subject to prepayment rights, which could result in achieving a lower than expected rate of return on investment.

The modeled cash flow predictions and assumptions used to calculate the internal rate of return and fair value of each CLO investment can prove to be inaccurate and require adjustment.

The performance of LCM may be negatively influenced by various factors, including the (i) performance of LCM-managed CLOs, which are currently the primary source of LCM's revenues and (ii) ability of LCM to retain key professionals, the loss of whom may negatively affect LCM's ability to provide asset and collateral management services in a fashion, and of a quality, consistent with its prior practice.

TFG Asset Management's affiliates and professionals devote as much of their time to LCM's activities as such persons deem necessary and appropriate. Such persons are not restricted from forming additional investment funds, forming or sponsoring CLO or collateralized debt obligation (CDO) products and other securitization vehicles, serving as collateral or asset manager for CLO or CDO products and other securitization vehicles, entering into other investment management relationships or engaging in other business activities, even though such activities may be in competition with LCM and/or may involve substantial time and resources of TFG Asset Management and its affiliates.

#### *Risks Relating to Various Securities and Instruments*

##### *Equity Securities*

The value of equity securities may fluctuate in response to specific situations for each company, industry, market conditions, and general economic environments. Clients may acquire long and short positions in listed and unlisted common equities, preferred equities and convertible securities of U.S. and non-U.S. issuers. Clients may invest in equity securities regardless of market capitalization, including micro and small cap companies. The securities for smaller companies may involve (i) more risk and (ii) their prices may be subject to more volatility.

##### *Fixed Income Securities*

In addition to convertible securities, Clients may also invest in bonds or other fixed income securities, including bonds, notes and debentures issued by corporations, government issued or guaranteed debt securities, commercial paper and "higher-yielding" (including non-investment grade) and, therefore, higher risk debt securities. Such clients are therefore, as in the case of convertible securities, subject to credit, liquidity and interest rate risks. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term

securities than for short-term securities. TFG Asset Management may attempt to minimize the exposure of client portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that this will be successful in fully mitigating the impact of interest rate changes.

#### *Investments in Undervalued and Overvalued Securities*

TFG Asset Management may invest in both undervalued and overvalued securities. The identification of investment opportunities in such securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in such securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Fund's investments may not adequately compensate for the business and financial risks assumed. In addition, a client may be required to hold such positions for a substantial period of time before realizing their anticipated value. During this period, a portion of a client's capital would be committed to the securities purchased or sold, thus possibly preventing the client from investing in other opportunities. In addition, a client may finance such purchases and sales with borrowed funds (and securities in the case of a short sale) and thus will pay interest on such funds (and fees for borrowed securities) during such waiting period.

#### *Illiquid Securities*

Certain instruments, such as derivatives and other types of unregistered financial instruments, may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price, and TFG Asset Management might only be able to liquidate these positions at highly disadvantageous prices, if at all. The market prices, if any, for such illiquid financial instruments tend to change rather quickly and TFG Asset Management may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Even those markets which TFG Asset Management expects to be liquid can experience periods, possibly extended periods, of illiquidity. For some investments, TFG Asset Management may be unable to predict with confidence what the exit strategy will ultimately be for any given core position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

#### *Initial Public Offerings*

Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer, limited operating history and substantial price volatility. The limited number of shares available for trading in some initial public offerings may make it more difficult for a client to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies that are the subject of initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

### *Further General Risks*

Some of the risks associated with the TFG Asset Management's investment strategies, and the securities and other assets used to implement those strategies, include but are not limited to those listed below. Please consult particular client offering documents for a description of risk factors specific to that product. These methods, strategies and investments involve risk of loss to clients and clients and their investors must be prepared to bear the loss of their entire investment. The risks and uncertainties discussed below are those that TFG Asset Management believes are material but are not the only ones that may be applicable to particular clients. As mentioned above, additional information may be found in the offering documents for the relevant client.

### *General Economic and Market Conditions*

The success of a client's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and liquidity of investments. Unexpected volatility or illiquidity could impair client investments and result in losses.

The prices of commodities contracts and all derivative instruments, including futures and options, can be highly volatile. Price movements of forward, futures and other derivative contracts in which a client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options.

Investments in securities and other financial instruments and products, such as those above, that are subject to market forces risk the permanent loss of capital as a result of adverse market developments, which can be unpredictable. To the extent that a portfolio is concentrated in any one

particular strategy, the risk of any incorrect investment decision is increased. Each strategy exposes the client's capital to the risk of any extremely rapid and severe decline in value in the event of a sudden change in the level of volatility (*i.e.*, a market crash) that is not anticipated by the Firm.

*Adverse changes affecting the global financial markets and economy may have a material negative impact on the performance of the funds' investments.*

Global capital markets have experienced extreme volatility and disruption in recent years as evidenced by the failure of major financial institutions, significant write-offs suffered by the financial services sector, the re-pricing of credit risk, the unavailability of credit or the downgrading and the possibility of default by sovereign issuers, forced exit or voluntary withdrawal of countries from a common currency and/or devaluation. Despite actions of government authorities, these events have contributed to a worsening of general economic conditions in many areas, high levels of unemployment in certain Western economies and the introduction of austerity measures by certain governments.

Any worsening of financial market and economic conditions may have a negative effect on valuations of, and the ability of the client funds to exit or partially divest from, investment positions. Adverse economic conditions may also decrease the value of collateral securing some of their positions, and require the client funds to contribute additional collateral.

Depending on market conditions, the client funds may incur substantial realized losses and may suffer unrealized losses in future periods, all of which may materially adversely affect their results of operations and the value of any investment in the Funds.

### *Portfolio Valuation*

Valuations of the clients' portfolios may involve uncertainties and judgmental determinations. Third-party pricing information may at times not be available regarding certain of the clients' securities, derivatives and other assets. A disruption in the secondary markets for client investments may limit the ability to obtain accurate market quotations for purposes of valuing client investments and calculating the net asset value of a client's investments. Further, because of the overall size and concentrations in particular markets and maturities of positions that may be held by clients from time to time, the liquidation values of a client's securities and other investments may differ significantly from the interim valuations of these investments derived from the valuation methods set out in the relevant client's offering documents or governing agreements. If the valuation of client funds' securities should prove to be incorrect, the net asset value of the client funds' investments could be adversely affected.

*The due diligence performed by TFG Asset Management before investing may not reveal all relevant facts in connection with an investment.*

When assessing an investment opportunity, TFG Asset Management has relied and will continue to rely on resources that may provide limited or incomplete information. In particular, TFG Asset Management has relied and will continue to rely on publicly available information and data filed with various government regulators. Although TFG Asset Management expects that it has evaluated and will continue to evaluate information and data as it deems appropriate and has sought and will seek independent corroboration when reasonably available, TFG Asset Management has not and may choose not to evaluate all publicly available information and data with respect to any investment and has often not been and will often not be in a position to confirm the completeness, genuineness or accuracy of the information and data that it did or will evaluate.

In addition, when assessing an investment opportunity for the funds, investment analyses and decisions by TFG Asset Management may be undertaken on an expedited basis in order to take advantage of what it perceives to be short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. As a result, there can be no assurance that due diligence investigations carried out by TFG Asset Management will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities for the client funds. Any failure to identify relevant facts may result in inappropriate investment decisions, which may have a material adverse effect on the value of any investment in the client funds.

### *Short Selling*

In a short sale transaction, TFG Asset Management sells a security it does not own in anticipation that the market price of that security will decline. TFG Asset Management makes short sales as a form of hedging to offset potential declines in long positions in similar securities; in order to maintain flexibility; and for profit. Certain clients may engage in short selling which can, in some circumstances, substantially increase the impact of adverse price movements. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying securities to cover the short position. In addition, a number of countries and regulators have adopted reporting regimes, bans on naked short selling and, in some cases, bans on short selling (typically only for banks or other financial services companies). It may not be possible for TFG Asset Management's clients to be able to sell short securities for either hedging or speculative purposes in some jurisdictions.

*OTC trading has inherent risks of illiquid markets, wide bid/ask spreads and market disruption.*

TFG Asset Management clients engage in forward contracts, options, futures, swaps, and other derivatives in order to increase or decrease its risk exposure to, among other things, currency exchange rates, interest rates, credit spreads, and corporate credit events. The values of these derivatives will be dependent on, and may be affected by, a variety of factors, including the underlying financial instrument of each such derivative, changes to currency exchange rates, the level of interest rates, including shifts across rates of different maturities, the implied volatilities of the underlying instruments, the perceived credit worthiness or ratings of corporate entities, and length of time until potential exercise or termination of the derivative. These instruments may not be traded on exchanges and may not be standardized; rather, banks and dealers act as principals in the markets for these instruments, negotiating each transaction on an individual basis. These transactions are substantially unregulated, there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in these markets are not required to continue to make markets and these markets can experience periods of significant illiquidity, sometimes of long duration. There have been periods during which certain participants in these markets have refused to quote prices for certain contracts or have quoted prices with unusually wide spreads between the prices at which they were prepared to buy and those at which they were prepared to sell. Disruptions can also occur in any market in which TFG Asset Management clients trade due to unusually high trading volume, political intervention or other factors.

### *Counterparty Credit Risk*

Many of the markets in which our clients effect their transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. To the extent a client invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, on these markets, the client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. Transactions entered into directly between two counterparties generally do not benefit from protections afforded with respect to exchange transactions. This exposes clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the client to suffer a loss.

TFG Asset Management’s clients will typically establish relationships to obtain financing, derivative intermediation and prime brokerage services; however, there can be no assurance that a client will be able to maintain or establish such relationships. An inability to establish or maintain such relationships would limit a client’s trading activities, financing, derivative intermediation and prime brokerage services and prevent a client from trading at optimal rates and terms; any or all of which could cause substantial losses that a client would bear. Moreover, a disruption in the financing,



derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the client's business.

### *Leverage; Margin; Interest Rates*

TFG Asset Management's clients may directly or indirectly borrow funds from brokerage firms and banks and may also incur "leverage" through the use of certain derivatives or special investment techniques. Any event that adversely affects the value of an investment, either directly or indirectly, could be magnified to the extent that leverage is employed. To the extent a client is subject to a "margin call" and must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value, it may not be possible to liquidate assets quickly enough to pay off the margin debt, which could cause substantial losses. TFG Asset Management's fund clients do not generally have restrictions on the amount of leverage that can be incurred and, therefore, the risks of highly leveraged investments can magnify the risks associated with investing in such clients. Portfolios are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. The risk will be far greater for long-term securities than for short-term securities. TFG Asset Management may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that TFG Asset Management will be successful in fully mitigating the impact of interest rate changes on the portfolios.

### *Operational Risks*

*There are conflicts of interest created by contemporaneous trading by TFM and investment managers that are part of TFG Asset Management.*

It is the policy of TFM and the investment managers that are part of TFG Asset Management to allocate new investment opportunities fairly and equitably over time among the funds and other products that they manage. This means that a proposed investment opportunity will generally be allocated among those funds and clients for which participation in the investment opportunity is considered appropriate, taking into account, among other considerations, (i) the risk-reward profile of the proposed investment opportunity in light of the a fund's or other client's objective (whether such objectives are considered solely in connection with the specific investment opportunity or in the context of such fund's or client's overall holdings); (ii) the potential for the proposed investment to create an imbalance in a fund's or a client's portfolio; (iii) cash balances, liquidity requirements of the funds or clients or anticipated cash flows (including as a result of subscriptions and redemptions or withdrawals, as applicable); (iv) tax considerations; (v) regulatory restrictions that

would or could limit a fund's or client's ability to participate in the proposed investment opportunity; and (vi) any need to re-size risk in the funds' and clients' portfolios.

TFM and the investment managers that are part of TFG Asset Management expect to allocate investment opportunities among the funds and clients sharing overlapping investment strategies on a model pro rata allocation, or other method deemed appropriate by the portfolio manager responsible for the investment strategy, provided the method is designed to achieve a fair and equitable allocation of investment opportunities among the clients. Client strategies are subject to a pro rata allocation pursuant to which investments generally will be allocated among participating clients proportionate to requested order size, real time net asset value and/or commitment amounts, percentage of AUM that the particular investment represents and percentage of AUM that the particular investment represents as compared to other clients, using the most current AUM information as may be practicably obtained, or relevant investment criteria or investment limitations as determined by the client and/or the portfolio manager or other method deemed appropriate (including any priority or defined allocation rights to investment opportunities that may have been granted to clients, as well as other relevant factors, such as minimum allocation amount) and any other relevant issues discussed by any of the Firm's senior management committees, which includes the Firm's Allocation Committees, Trading and Supervisory Management Committees and Executive Committees. Investments for which an order is not completely filled will generally be allocated based on the allocation process used to determine the original allocation.

If a single portfolio manager acts on behalf of two or more client accounts, a conflict of interest may arise with respect to allocations because such portfolio manager may have an incentive to favor one client account at the expense of another client account. TFM and the investment managers that are part of TFG Asset Management manage this potential conflict of interest by requiring that the Allocation Committee, which includes Legal, Regulatory and Compliance, approve allocations of limited investment opportunities across multiple client accounts that are not otherwise subject to a model allocation or special rule designed to address such conflicts of interest.

For purposes of investment allocations and in order to maintain the integrity of the investment strategy and track record of any seed investment by Tetragon, seed investments are not considered proprietary entities for purposes of Tetragon's allocation policies, and are instead allocated investments consistent with client allocations. Accordingly, a client may receive a lesser allocation of an investment as a result of a seed investment. For example, prior to its closure in 2018, the Polygon Distressed Opportunities Fund which was seeded with Tetragon capital in September 2013, for allocation purposes is viewed the same as other Polygon funds despite the majority of its capital being the Firm seed capital, as it was raising third-party capital and building its track record, and was not viewed as a "proprietary" vehicle.

## **Item 9           Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of TFG Asset Management or the integrity of its management.

## **Item 10            Other Financial Industry Activities and Affiliations**

The Firm currently has certain relationships or arrangements with related persons that are material to our advisory business or our clients. Such related persons include the following investment advisers:

- Tetragon Financial Management LP (TFM)
- Polygon CB L.P.
- Polygon Equities L.P.
- Polygon Global Equities L.P.
- Polygon Global Partners LLP
- Polygon Global Partners LP
- Polygon Recovery Manager LP
- LCM Asset Management LLC
- Equitix Holdings Limited
- Hawke's Point Holdings L.P.
- Tetragon Credit Income Partners II Ltd.
- Tetragon Credit Income Partners III Ltd.
- TCI Capital Management II LLC
- TCI Capital Management LLC

All of the above investment advisers, other than TFM and Equitix<sup>4</sup>, rely on TFG Asset Management's registration as an investment adviser under the Advisers Act. Where required or appropriate, professionals of the above listed non-SEC registered advisers are considered "access persons" of the Firm and are subject to the Firm's compliance policies and procedures as well as supervision and periodic monitoring pursuant to the Advisers Act. For further information, please see Item 11 – Code of Ethics. TFM, the investment manager of Tetragon, is separately registered as an investment adviser under the Advisers Act (see SEC File number 801-74151; CRD number 156041). Tetragon, TFG Asset Management's indirect parent company, is a publicly traded Guernsey closed-ended investment company traded on Euronext Amsterdam N.V. under the ticker symbol "TFG.NA" and on the Specialist Fund Segment of the main market of the London Stock Exchange under the ticker symbols "TFG.LN" and "TFGS.LN". Tetragon's economic and business interests and objectives may differ significantly from those of TFG Asset Management's clients. As

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<sup>4</sup> Equitix Investment Management Limited has submitted a Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisers on Form ADV with the SEC.

such, the interests of Tetragon's shareholders may not be aligned with the interests of TFG Asset Management's clients or their investors. In any such situations where these interests are not aligned, TFG Asset Management faces a conflict of interest when it acts or fails to act.

TFG Asset Management and certain of its affiliated managers are part of the Tetragon group, a broad-based, international financial services and asset management firm and, as such, Tetragon and its affiliates and their respective partners, directors, officers, employees and agents may and, in many instances, in fact do have multiple advisory, transactional and financial and other interests in securities or other instruments that may be purchased, sold or held for applicable clients, funds or accounts. Tetragon and its affiliates may and, in many instances, in fact do act as advisor to clients in commercial banking, investment banking, financial advisory, asset management and other capacities, including as principal, related to securities or other instruments that may be purchased, sold or held on behalf of applicable clients, funds or accounts. Tetragon and its affiliates in the future are likely to acquire or create additional asset managers that will engage in similar activities to those of TFG Asset Management and its affiliated managers. Tetragon and its affiliates invest and may continue to invest in a wide array of assets and asset classes across multiple geographic areas. In providing investment management services to its clients, the Firm may draw upon the portfolio management, trading, research, operational and administrative resources of such affiliates and related persons.

Certain inherent conflicts of interest arise from the fact that our Firm and related persons described above provide investment management services to, carry on investment activities for, and maintain voting control over, other clients, including, without limitation, other investment funds, separately managed accounts and co-investment opportunities (for clients which may or may not be current investors in other clients) and proprietary accounts in which our clients may or may not have an interest and whose respective investment programs may or may not be the same or substantially similar to our clients' investment programs. We address any conflicts of interest in accordance with applicable law, Firm policies and procedures and pursuant to applicable agreements with our clients.

A portfolio strategy employed for one client or such client's investment program could conflict with the transactions and strategies employed by TFG Asset Management (or its affiliate) for another client and affect the prices and availability of the securities and instruments in which the Firm (or its affiliate) invests on behalf of such other client. Conversely, participation in specific investment opportunities may be appropriate (due to, among other things, the same or substantially similar investment objectives), at times, for multiple clients or investment programs managed by TFG Asset Management or its affiliates. In these cases, participation in such opportunities will generally be allocated on an equitable basis, taking into account such factors as client investment objectives, applicable restrictions, the type or nature of the investment, the number of shares purchased or sold, the size of the account, the amount of available cash or the size of an existing position in an account and other relevant factors as determined by the Allocations Committee. Such considerations may

result in allocations of certain investments on other than a *pari passu* basis. (For additional information, please see Item 11 – *Conflicts of Interest Created by Contemporaneous Trading*).

Certain separately managed accounts may be invested in parallel with TFG Asset Management’s fund clients, employing the same or similar strategies and taking positions in the same securities. However, such accounts may provide for liquidity and other terms which are different than those of the Firm’s fund clients. For example, a separately managed account holder may have the right to withdraw its investment periodically or promptly upon the occurrence of certain specified events, in which case the Firm (or its affiliate) would be obliged to liquidate the positions in the account or to relinquish management of such account to a different manager that may pursue a different investment strategy. Such actions could negatively impact the value of the same or related positions held by a fund client, as well as such fund’s overall liquidity. Separately managed account holders may also have different transparency and information rights than those afforded to investors in a fund. Fund investors should be aware that, as a result of these and other factors, the operation of such managed accounts could affect the value of a fund’s investments and therefore the value of their investment.

The relevant investment managers may open “average price” accounts with brokers. In an “average price” account, purchase and sale orders placed during a trading day on behalf of all accounts of the investment managers, their affiliates and their clients are combined, and securities bought and sold pursuant to such orders are allocated among such accounts on an average price basis.

TFG Asset Management and its affiliates and their respective partners, directors, officers, employees and agents acquire material non-public and confidential information that may restrict by law, internal policies or otherwise TFG Asset Management and certain of its affiliated managers from purchasing or selling securities for themselves or their clients or otherwise using or receiving such information for the benefit of other clients.

From time to time, Tetragon, TFG Asset Management and certain of its affiliated managers determine that a sale of positions from one client to another is in the interests of both clients. (For additional information, please see Item 11 – Cross Transactions).

Funds participate in transactions in which TFG Asset Management and certain of its affiliated managers and their respective officers, employees and principals are directly or indirectly interested. In connection with such transactions, the parties may have conflicting interests. From time to time, Tetragon and its affiliates engage in principal transactions with their clients (either buying securities from or selling securities to our clients). (For additional information, please see Item 11 – Principal Transactions).

*TFG Asset Management Shared Services Agreement*

As discussed in Item 4, in April 2012, TFM entered into a services agreement with the Services Providers following the termination of a prior services agreement with entities affiliated with Reade Griffith and Paddy Dear. The Services Providers have been indirect subsidiaries of Tetragon since October 28, 2012, when Tetragon acquired TFG Asset Management and certain related entities. Under the services agreement, the Services Providers provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and professional benefits and other services to TFM in exchange for fees payable by TFM to the Services Providers and payment of certain other expenses related to the operation and organization of the Services Providers such as certain catering and meal expenses for the Service Provider professionals. In addition, since April 30, 2012, the Services Providers have also acted as the “service providers” to LCM and to various TFG Asset Management managers pursuant to applicable separate services agreements.

TFM, the Service Providers and LCM provide investment management, operational, financial control, trade execution and trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to Tetragon Credit Income. TFM will not charge TCI II, TCI III or Tetragon Credit Income any fees for any services provided (other than those existing fee arrangements it earns in its capacity as investment manager of Tetragon).

The Service Providers and LCM provide similar services to TCICM under the TCICM Services Agreements.

Neither the Firm or its related persons nor the services providers are obligated to allocate any specific amount of time or investment opportunities to a particular client account. The Firm and its related persons intend to devote as much time as they deem necessary for the management of client accounts and will allocate investment opportunities in accordance with the Firm’s Investment Allocations Policies and Procedures. (For additional information, please see also Item 6 and Item 11 with respect to side-by-side management issues.)

## **Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

TFG Asset Management has adopted a series of compliance policies and procedures, including a Compliance Manual and a Code of Ethics (the Code) in order to address actual and apparent conflicts of interest and as required under Rule 204A-1 of the Advisers Act.

### *Code of Ethics*

The policies and procedures set forth in the Code recognize that as an investment adviser, TFG Asset Management is in a position of trust and confidence with respect to its clients and has a duty to place the interests of its clients before the interests of TFG Asset Management and its employees (which for these purposes includes other persons as set out in the Code, including certain consultants,

advisors, temporary employees and other persons designated by TFG Asset Management's Chief Compliance Officer (CCO)). This duty includes an obligation to address or mitigate conflicts of interest, both actual and apparent. The Code also recognizes that as an investment adviser registered under the Advisers Act, TFG Asset Management has a further obligation to comply with provisions of the Advisers Act as well as the other U.S. federal securities laws.

All employees of TFG Asset Management, and any other persons who are subject to the Firm's supervision and control (including members of the employee's household such as spouses and dependent children and certain other family members, collectively related persons, must abide by the Code as adopted. The Code sets forth standards of ethical conduct and ensures that the Firm fulfills its role as a fiduciary to its clients.

The Code includes a code of conduct adopted by TFG Asset Management which requires employees to (i) act with integrity, honesty, competence and in an ethical manner when dealing with the public, regulators, clients, investors, prospective investors and their fellow employees, (ii) adhere to the highest standards with respect to any potential material conflicts of interest with TFG Asset Management's clients and (iii) preserve the confidentiality of information properly, consistent with applicable legal standards and not adverse to the interests of any clients.

The Code covers the following topics, among others: (i) guidelines and standards for business conduct, including obligations to address and mitigate apparent and actual conflicts of interest and to comply with the provisions of the Adviser's Act and other U.S. federal securities laws; (ii) personal trading procedures, including pre-clearance and reporting obligations, or the Personal Investment Policy; (iii) limitations on, and reporting of, gifts and entertainment; (iv) engaging in outside business activities; and (v) limitations on, pre-clearance and reporting of political contributions. On an annual basis, the Firm requires all employees to certify that they have reviewed and are in compliance with the Code, including as it applies to their related persons, where relevant.

A copy of the Code will be provided to clients and their existing or prospective investors upon request. To request a copy, please email TFG Asset Management's Legal, Regulatory and Compliance Group at [legal@polygoninv.com](mailto:legal@polygoninv.com).

### *Personal Investment Policy*

Under the Code and Firm policy, employees are prohibited from trading in securities of any company while in possession of material, non-public information regarding the company. This prohibition applies to Tetragon related securities, as well as other issuers. The Code also includes a personal securities investment and reporting policy. This policy, among other things, significantly restricts an employee's ability to engage in personal securities transactions and requires employees to

disclose all brokerage or securities accounts held in the employee's name or over which investment discretion is exercised either directly or indirectly.

Investment personnel of TFG Asset Management may maintain personal private investment holdings. Certain of these investments are maintained with third-party investment managers who sponsor investment vehicles that in some circumstances compete with TFG Asset Management investment programs or clients, or that TFG Asset Management or certain of its affiliates may recommend to its clients.

These personal investments may give rise to potential or actual conflicts of interest between TFG Asset Management's clients and its affiliates. Accordingly, the Firm's personal investment and reporting policies, which require pre-approval from the Firm's Legal, Regulatory and Compliance Group on any personal private fund investments, seek to address any potential or actual conflicts of interest relating to personal private investments.

Employees are required to provide duplicate copies of trade confirmations, statements and other information concerning relevant personal securities accounts and investments by notifying their brokerage firm or other financial institution to directly provide such documents and information to, or otherwise making arrangements for such duplicate account statements to be provided to, the Firm's Legal, Regulatory and Compliance Group. The Firm requires pre-clearance prior to effecting any transaction in non-exempt securities, as defined in the Code, or personal private fund investment holdings. Professionals and their related persons generally cannot trade any non-exempt security that (i) is being considered by a portfolio manager for purchase or sale for the benefit of any client; (ii) is currently held by a client; and/or (iii) was sold on behalf of any client within 90 days of the date of the request to trade such security. Any exceptions to the Code's Personal Investment Policy require review and approval by the CCO or the CCO's designee.

The Legal, Regulatory and Compliance Group receives and reviews trading and other reports, as well as employee certifications submitted pursuant to the Code to determine that personal trading (as well as other activities subject to compliance oversight) conducted by employees and their related persons is consistent with the requirements and restrictions set forth in the Code and does not otherwise indicate any improper trading activities.

*Other Conflicts – Gifts/Gratuities/Entertainment; Outside Business Activities; Political Contributions*

The Code also restricts employees' ability to conduct activities outside the Firm that may conflict with the interests of the Firm's clients. To help mitigate the potential for conflicts of interest related to these practices Firm employees are prohibited from offering, providing or receiving business gifts or entertainment that are excessive or inappropriate or otherwise intended to inappropriately



influence the involved parties (*i.e.*, vendors, broker-dealers, consultants, officials, etc.). Additionally, the Firm's policies and procedures also specifically restrict and monitor the offering, giving, and receiving of gifts and entertainment to or from U.S. and non-U.S. government officials and U.S. representatives of labor organizations. In general, subject to Firm policy and applicable law, Firm employees are permitted to provide limited business gifts and entertainment. TFG Asset Management monitors the offering, giving and receiving of such gifts and entertainment and limits the amount (both as to value and frequency) of gifts and business entertainment that may be exchanged between a Firm employee (or their immediate family members) and involved parties, and requires employees to obtain pre-approval from the Legal, Regulatory and Compliance Group for the offering, gifting or receiving of items to or from certain involved parties as well as more generally items above certain value or frequency thresholds. TFG Asset Management's Legal, Regulatory and Compliance Group specifically monitors for any potential conflicts of interest with respect to individual instances of gifts or entertainment, as well as patterns of the same over time, to prevent the interests of the Firm and its employees from being placed ahead of the interests of the clients.

Additionally, the Code includes policies and procedures regarding Firm employees' engagement in outside business activities such as service on boards of directors for third parties (including non-profit and other charitable organizations), executorships, trusteeships or other powers of attorney (except with respect to family members) and serving on creditors' committees (except in relation to an employee's obligations to the Firm). In general, any such activities that pose a conflict of interest with the Firm or the Firm's clients are prohibited and pre-approval by the employee's direct supervisor and the Legal, Regulatory and Compliance Group is required for accepting any such position. TFG Asset Management's Legal, Regulatory and Compliance Group monitors such activities for any specific conflicts of interest as well as proper pre-approval procedures.

As part of its Code, TFG Asset Management also maintains policies and procedures that set forth specific prohibitions and pre-clearance requirements for political contributions and other related activity by employees and their related persons. All employees are prohibited from making political contributions to candidates for U.S. state or local office or current U.S. state or local office holders. Additionally, all employees must obtain approval from the Legal, Regulatory and Compliance Group prior to engaging in coordinating or soliciting contributions, or any other fundraising activities. Lastly, the Firm requests that employees disclose to the Legal, Regulatory and Compliance Group contributions to U.S. federal office holders or candidates for U.S. federal office. These prohibitions and pre-clearance approval requirements for personal contributions, coordination and solicitation of contributions and fundraising also apply to employees' spouses and dependent children. The Legal, Regulatory and Compliance Group monitors all such activities for any such contributions that could affect the awarding of public business related to the management of assets.

#### *Material Non-Public Information/Insider Trading*

TFG Asset Management has implemented the Confidential Information Barrier Policies & Procedures, or the Confidential Information Policies, which outlines certain information barriers within the Firm, that are reasonably designed to prevent the misuse by the Firm and its employees of material information regarding issuers of securities that has not been publicly disseminated, or material non-public information. The Confidential Information Policies provide for the proper handling of confidential information (*i.e.*, nonpublic information received or created by TFG Asset Management in connection with its activities) to prevent violations of law and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse.

In general, under the Confidential Information Policies and applicable law, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor its employees are permitted to trade or recommend a trade in the securities of such issuer until such time as the Firm is no longer deemed to be in possession of material non-public information. Additionally, the Firm's employees are prohibited from disclosing material non-public information to any person, including, but not limited to, other Firm employees (except on a need to know basis) and family members.

#### *Legal, Regulatory and Compliance Review*

The Firm's Legal, Regulatory and Compliance Group receives and reviews trading and other reports and certifications submitted by Firm employees pursuant to the Compliance Manual and the Code to monitor employees' activities subject to compliance oversight, including but not limited to personal trading activities, political contributions and outside business affiliations, for consistency with and adherence to the requirements and restrictions set forth in the Code and applicable law and any other indication of improper behavior.

TFG Asset Management is firmly committed to making its employees and investors (both current and prospective) aware of the Firm's compliance requirements, including the Firm's Compliance Manual and Code. All of TFG Asset Management's employees are proactively provided with the Firm's Compliance Manual at the time of hire and no less than annually thereafter, and each professional must periodically affirm that they have received and have access to the Compliance Manual and Code, and that they have reviewed and understood its provisions. Additionally, the Firm conducts periodic compliance training that addresses the requirements of the Compliance Manual and the other policies and procedures described in this Item 11.

#### *Client Transactions in Securities where TFG Asset Management has Material Financial Interest*

TFG Asset Management's clients can participate in transactions in which TFG Asset Management or its affiliates and their respective professionals are directly or indirectly interested. In connection

with such transactions, the clients, on the one hand, and TFG Asset Management or its affiliates and their respective officers, professionals, on the other hand, can have conflicting interests.

From time to time, the Firm or its affiliates can engage in principal transactions with clients (either buying securities from or selling securities to clients). In accordance with anti-fraud provisions of the Advisers Act and with TFG Asset Management's internal compliance policies and procedures, TFG Asset Management and its affiliates will not, as principal, engage in any principal transaction with a client, without providing appropriate disclosure and obtaining the informed consent of such client prior to the settlement of such transaction.

### *Principal Transactions*

Generally, principal transactions are when an adviser, acting as principal for its own account, makes a securities transaction (purchase or sale) with a client account.

Amongst other things, a client of TFG Asset Management can, from time to time, invest in, purchase or receive assets from, sell or otherwise transfer assets to, other investment funds or accounts for which TFG Asset Management or its affiliates or their respective officers, employees, principals or a joint venture have an interest, serve as investment manager, general partner, service provider or other similar capacity. These transactions may constitute principal transactions for purposes of the Advisers Act.

In accordance with the requirements of the Advisers Act, and the Firm's internal compliance policies and procedures, any principal transaction in which the Firm or the Firm's affiliates may engage is subject to prior disclosure to and written consent from the relevant client(s).

### *Cross Transactions*

Subject to certain terms and conditions and to the extent permitted by law and as deemed advisable by TFG Asset Management, TFG Asset Management can effect rebalancing or internal cross transactions among the funds and other clients (as applicable). Cross trades involve the transfer, purchase or sale of assets from one client to another client without the use of a broker-dealer. The Firm can engage in cross trades where permissible if it determines that such action would be favorable to both clients and that such transaction is in compliance with the policies and procedures it has adopted to mitigate such conflicts. In addition, some governing documents of TFG Asset Management or other client accounts may impose restrictions or requirements relating to the Firm's ability to conduct such transactions. For example, a client account can acquire investments from unrelated sellers and may re-offer a portion of such investments to affiliated investment vehicles. Although these transactions with related parties are expected to expand the universe of opportunities that are available to applicable funds and other clients of TFG Asset Management and certain of its

affiliated managers, client funds will not necessarily derive a benefit from each such transaction, and the parties to a particular transaction may have divergent interests. Moreover, there can be uncertainties regarding the valuation of investments that are subject to these transactions. For example, from time to time, the Firm can undertake a transaction between client accounts in efforts to realign the weightings of two or more client portfolios to be more consistent with their respective investment objectives. In accordance with the Firm's internal policies and procedures, any cross trade is approved by senior members of Legal, Regulatory and Compliance Group and any other senior investment professionals deemed necessary to assess the potential cross transaction and determine that it is in the relevant clients' best interests. Executed cross trades will be reviewed by the Trade Management Supervisory and Compliance Committee, referred to further herein as the TMSCC. See below for more detailed information regarding the TMSCC.

### *Conflicts of Interest Created by Contemporaneous Trading*

It is the policy of TFG Asset Management to allocate new investment opportunities fairly and equitably among the client funds and other products it manages. This means that a proposed investment opportunity will generally be allocated among those funds and clients for which participation in the investment opportunity is considered appropriate, taking into account, among other considerations, (i) the risk-reward profile of the proposed investment opportunity in light of the a fund's or other client's objective (whether such objectives are considered solely in connection with the specific investment opportunity or in the context of such fund's or client's overall holdings); (ii) the potential for the proposed investment to create an imbalance in a fund's or a client's portfolio; (iii) cash balances, liquidity requirements of the funds or clients or anticipated cash flows (including as a result of subscriptions and redemptions or withdrawals, as applicable); (iv) tax considerations; (v) regulatory restrictions that would or could limit a fund's or client's ability to participate in the proposed investment opportunity; (vi) any need to re-size risk in the funds' or clients' portfolios; (vii) requested order size; (viii) real time net asset value and/or commitment amounts; (ix) percentage of AUM that the particular investment represents and percentage of AUM that the particular investment represents as compared to other clients, using the most current AUM information as may be practicably obtained; (x) or relevant investment criteria or investment limitations as determined by the client and/or the portfolio manager or (xi) other criteria deemed appropriate (including any priority or defined allocation rights to investment opportunities that may have been granted to clients, as well as other relevant factors, such as minimum allocation amount) and any other relevant issues discussed by any of the Firm's senior management committees, which includes the Firm's Allocation Committee, the TMSCC and Executive Committee(s). The weighting of these factors will not be the same for every allocation determination and no importance is implied by the relative placement of a factor in the listing above. In certain circumstances, TFM and the investment managers that are part of TFG Asset Management allocate investment opportunities among the funds and clients sharing overlapping investment strategies based on a model allocation or a special allocation rule, developed by TFM and/or the investment managers that are part of TFG Asset Management to achieve a fair and equitable allocation of investment opportunities.

If a single portfolio manager acts on behalf of two or more client accounts, a conflict of interest may arise with respect to allocations because such portfolio manager may have an incentive to favor one client account at the expense of another client account. The Firm manages this potential conflict of interest by requiring that the Allocation Committee, which includes the Legal, Regulatory and Compliance Group, approve any allocations of limited investment opportunities across multiple client accounts that are not otherwise subject to a model allocation or special rule designed to address such conflicts of interest.

For purposes of investment allocations and in order to maintain the integrity of the investment strategy and track record of any seed investment by the Firm, seed investments are not considered proprietary entities for purposes of TFG Asset Management's allocation policies, and are instead allocated investments consistent with client allocations. Accordingly, a client may receive a lesser allocation of an investment as a result of a seed investment. For example, prior to its closure in 2018, the Polygon Distressed Opportunities Fund, which was seeded with Tetragon capital in September 2013, for allocation purposes was viewed the same as other Polygon Funds despite the majority of its capital being the Firm seed capital, as it was raising third-party capital and building its track record, and was not viewed as a "proprietary" vehicle.

#### *Financial Interests in Securities or Investment Products*

TFG Asset Management may participate in transactions in which the Firm or its affiliates and their respective principals and employees are directly or indirectly interested. In connection with such transactions, such clients, on the one hand, and TFG Asset Management or its affiliates and their respective principals and employees, on the other hand, may have conflicting interests.

From time to time, the Firm or our affiliates may engage in principal transactions with its clients (either buying securities from or selling securities to its clients). In accordance with the requirements of the Advisers Act, any principal transaction is subject to the prior written consent of the relevant client.

#### *Proprietary Accounts/Seed Investments*

The Firm or its affiliates can establish, through various investment vehicles, investment accounts that are funded with the proprietary assets of the Firm or its affiliates. The Firm may manage such proprietary entities pursuant to investment strategies that mirror, or are similar to in whole or in part, investment strategies implemented by the Firm on behalf of clients. The Firm may also manage proprietary entities according to investment strategies that are inconsistent with, or deviate in material aspects from, the investment strategies pursued by Firm clients. From time to time, the Firm or its affiliates can also make and hold, through various entities, including without limitation,

accounts through which it invests primarily for its own investment purposes and subject to specific criteria relating to, among other things, capacity and holding period, proprietary investments for the purpose of developing, evaluating and testing potential investment strategies or products, or seed investments. The foregoing proprietary entities, including seed investments, may invest in similar or the same types of securities, properties or other assets in which clients may invest or otherwise do or may in the future, or may have investment objectives, programs, strategies and positions that are similar to, or may conflict with, those of clients. These proprietary entities may compete with, and have interests adverse to Firm clients. The existence of seed investments and proprietary entities investing in the same or similar investments that may be made by Firm clients could, among other adverse consequences, affect the prices of the investments, securities, properties or other assets in which Firm clients invest and may affect the availability of such assets. In such circumstances, the Firm's interest in maximizing the investment return of its proprietary entities and those of its affiliates creates a conflict of interest in that the Firm may have an interest in allocating more attractive investments to the proprietary entities under its management, and allocate less attractive investments to other clients. Similarly, the Firm may have an interest in allocating scarce investment opportunities to the proprietary entities under its management rather than to Firm clients. The Firm seeks to address these conflicts through the investment allocation process described below.

#### *Investment Allocation*

As investment adviser to a number of client accounts, the Firm may face conflicts of interest when allocating investment opportunities among its various clients. For example: (i) the Firm receives different management and/or performance fees from different clients (for further information, please see Item 6 – Performance Based Fees and Side-by-Side Management); and (ii) the Firm and its affiliates, owners, officers and professionals may invest substantial amounts of their own capital in certain collective vehicles (including the funds) in which clients also invest. Generally, the Firm's clients pursue specific investment strategies, many of which are similar. Many factors affect investment performance, including but not limited to: (a) the timing of cash deposits and withdrawals to and from an account; (b) the fact that the Firm may not purchase or sell a given security on behalf of all clients pursuing similar strategies; (c) price and timing differences when buying or selling securities; and (d) the clients' own different investment restrictions.

The Firm has a fiduciary duty to manage client accounts with loyalty to, and in the best interests of, each such account. In instances in which demand for an opportunity exceeds supply, the Firm is required to place the interests of its clients ahead of its own and treat each client in a manner that is fair and equitable given all relevant factors. The Firm generally will allocate investment opportunities pursuant to an allocation methodology that aims to fairly distribute opportunities among clients over time. In allocating investment opportunities, no single client should be favored over another based on identity, affiliation, account performance, fee structure or other similar attributes not relevant to investment factors or restrictions. The Firm has adopted the Investment

Allocation Policies & Procedures to address possible conflicts of interest in trading for its clients and enable investment opportunities to be allocated in a fair and equitable manner among clients. Additionally, the Firm has established an Allocation Committee which reviews and monitors trade allocations on an ongoing basis. The Allocation Committee members include the portfolio managers, head of Operations Group, Chief Executive Officer, General Counsel and Chief Compliance Officer, or the designees of any of the above listed individuals.

The Firm considers many factors when allocating securities among clients, including but not limited to the client's investment objectives, applicable restrictions, the type or nature of the investment, the number of shares purchased or sold, the size of the account, the amount of available cash or the size of an existing position in an account and other relevant factors as determined by the Allocations Committee. Clients are not assured of participating equally or at all in particular investment allocations. The nature of a client's investment style may exclude it from participating in investment opportunities, even if the client is not strictly precluded from participation based on written investment restrictions.

The Firm attempts to allocate limited investment opportunities, including but not limited to Initial Public Offerings (IPOs), among clients in a manner that is fair and equitable. The Firm has implemented policies and procedures for allocating shares in equity IPOs and secondary offerings. The factors taken into account in allocating shares of IPOs include, but are not limited to, investment guidelines or restrictions on the account.

### *Seed Investments*

As discussed above, from time to time, the Firm or its affiliates may make and hold through various entities, including without limitation, seed investments. In order to maintain the integrity of the investment strategy and track record of any seed investment, seed investments will not be considered proprietary entities for purposes of the Investment Allocation Policy & Procedures, and will instead be allocated investments consistent with client allocations.

To the extent the Firm determines in good faith that an opportunity is most appropriate for the proprietary principal investment activities of the Firm or its direct or indirect subsidiaries due to the strategic nature of the opportunity as it relates to the business of the Firm or its direct and indirect subsidiaries, such investment opportunity will, therefore, not lay within the investment focus of the Firm's clients and therefore will not be allocated to Firm clients.

### *Valuation of Assets*

There is no actively traded market for many of the investments owned by the Funds. In determining the net asset value of a Fund, TFG Asset Management will determine a fair value of such investments

applying a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval to ensure that portfolio investments are fairly valued. In addition, for all investments other than the “equity” or residual tranches of U.S. collateralized loan obligations (CLO Equity) that do not have an actively traded market, TFG Asset Management has engaged an independent third party to provide reasonable assurance of fair valuation on an ongoing basis. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and will differ from the prices at which such securities are ultimately sold. Third-party pricing information may at times not be available regarding certain of a Fund’s assets.

With respect to CLO Equity, TFG Asset Management uses investment modeling software to model expected cash flows of CLO investments. These modeled cash flows are then used to calculate the IRR and, using an appropriate discount rate, the fair value of each CLO investment. The modeled cash flows are determined using certain specified assumptions, including without limitation, annual default rates, recovery rates, prepayment rates and reinvestment prices and spreads, as well as their timing and duration, which in certain instances may be several years. These modeled cash flows and assumptions, including discount rates, may prove to be inaccurate and require adjustment. Where TFG Asset Management believes that there are a range of appropriate values for a given assumption, TFG Asset Management selects the model input for such assumption from the range in good faith, using its best judgment as to the appropriate value within the range based on the facts and circumstances. Factors affecting the accuracy of such modeled cash flow predictions include: (1) uncertainty in predicting future market values of certain assets (including, defaulted securities and “excess CCC rated” securities) used in determining overcollateralization or similar ratios, (2) the inability to accurately model collateral manager behavior such as trading gains/losses or cash holding levels, and (3) the divergence over the period covered by the model of assumed variables from realized levels, including reinvestment spreads/prices, the timing and severity of defaults and downgrades, prepayment levels as well as LIBOR and foreign exchange volatility. Determining the appropriate discount rate is a subjective process and relies upon market data from a variety of third-party sources, which may not be available on a consistent basis. In addition, the underlying CLO trustee reports used to assemble applicable investment data for the cash flow models are subject to data entry and other human errors, which may not be immediately discovered, if at all, in the course of TFG Asset Management’s investment portfolio updates and valuation procedures.

With respect to certain of the Funds, the exercise of discretion in valuation by TFG Asset Management gives rise to conflicts of interest because the management fee and performance fee or carried interest in certain Funds is calculated based, in part, on these valuations. Accordingly, TFG Asset Management may be incentivized to maximize fair valuations. As discussed above, with respect to all fair valued assets other than CLO Equity, TFG Asset Management has sought to mitigate this conflict of interest by engaging an independent third party to provide reasonable



assurance as to the valuations on an ongoing basis. With respect to CLO Equity, TFG Asset Management has sought to mitigate this conflict of interest by engaging an independent third party to annually review the appropriateness of the model applied and the reasonableness of the assumptions used in the model. Additionally, each of the Funds investing in CLO Equity has a Valuation Committee that reviews and approves the valuations.

## **Item 12      Brokerage Practices**

TFG Asset Management is responsible for choosing the brokers, dealers and counterparties (each for purposes of this section, a broker), used to execute securities transactions on behalf of TFG Asset Management's clients, subject to TFG Asset Management's obligation to obtain the best commission price and execution on any particular transaction. In selecting brokers, the determinative factor is not always the lowest possible price or commission, but whether the Firm believes that the transaction represents the best execution for the client. In making such determination, TFG Asset Management may weigh a combination of the following factors: qualitative and quantitative execution (including, but not limited to explicit and implicit price and costs of execution, speed of execution, likelihood of execution and likelihood of settlement and size and nature of the order), capabilities with respect to different types of orders and securities (*i.e.*, the broker's full range of services), commissions charged by the broker, the broker's financial stability and the quality of service (including availability of margin or leverage, etc.), clearing capabilities, nature and frequency of sales coverage, the broker's reputation and responsiveness to TFG Asset Management's requests for trade data and other financial information, depth of services provided (including economic or political coverage), arbitrage and option operations, back office and processing capabilities and other factors that assist TFG Asset Management in determining best execution. The Firm will seek competitive commissions and spreads; however, it does not necessarily obtain the lowest possible per transaction rate. The Firm will only consider factors relevant to a specific transaction in determining best execution. Broker commissions are monitored on an ongoing basis by portfolio managers, the Firm's Finance Group and the TMSCC.

TFG Asset Management engages the services of certain prime brokers. The services provided by prime brokers to TFG Asset Management include custody, execution, stock borrowing, clearing, financing, settlement, banking, foreign exchange, reporting and other related services. TFG Asset Management reserves the right to change the prime brokerage and custodian arrangements and/or, in its discretion, to appoint additional or alternative prime brokers from time to time.

As a custodian, a prime broker is responsible for the safekeeping of all investments and other assets of TFG Asset Management, or custodied assets that are delivered to it in accordance with applicable rules and regulations and the terms of its respective prime brokerage agreement. Custodied assets are held in a manner such that they can be identified at any time by the prime broker as belonging to the client fund(s)/account(s) and as separate from such prime broker's own assets. Custodied assets held as collateral or on margin are generally not segregated from the prime broker's own assets and

in the event of the prime broker's insolvency may not be recoverable in full. Cash held for TFG Asset Management's client fund(s)/account(s) by a prime broker generally will not be treated as client money and will not be segregated from the cash of the prime broker. As a consequence, TFG Asset Management ranks as a general creditor of such prime broker in the event of its insolvency with respect to such cash. Furthermore, in the event that any of the custodied assets are registered in the name of a prime broker where, due to the nature of the law or market practice of that jurisdiction, it is in TFG Asset Management's best interests to do so or it is not feasible to do otherwise, such custodied assets will also not be segregated from the prime broker's own securities and in the event of the prime broker's default may not be as well protected.

TFG Asset Management may agree to indemnify each of the prime brokers against any expenses, costs, losses, damages and liabilities which a prime broker may sustain in providing these services, except where the same are incurred as a direct result of the fraud, willful default, negligence of, or breach of the relevant prime brokerage agreement by the prime broker.

#### *Trade Management Supervisory and Compliance Committee (TMSCC)*

In addition to the continuous supervision of assigned portfolios and accounts by relevant persons, the Firm has also established a Trade Management Supervisory and Compliance Committee, referred to, as discussed earlier, as the TMSCC, to provide additional supervision and monitoring of the Firm's trading activities. The TMSCC generally meets quarterly and is comprised of representatives from the following groups: investment professionals, operations, legal, compliance, risk and finance.

The TMSCC has the following responsibilities:

- establish and maintain TFG Asset Management's list of approved traders;
- approve broker-dealers through which the Firm's traders may execute Client trades, authorizing the removal of brokers from the list of approved brokers, or the Approved Broker List, and maintain the current Approved Broker List;
- evaluate the performance of broker dealers on the Approved Broker List including commission rates, execution services, reliability and coverage;
- review brokerage allocation;
- review and approve any soft dollar arrangements;
- review proxy voting;

- review trade errors and determine whether any remedial actions are required;
- review allocation of investment opportunities and aggregation of client trades;
- review securities regulations, or changes and amendments thereto, related to trading;
- review trade errors, trade breaks and failed trades;
- review of research usage;
- review of relevant legal, regulatory and compliance matters; and
- ensure adequate internal controls are maintained over the Firm's trades and trading activities and general compliance infrastructure.

#### *Research and other "Soft Dollars"*

An investment adviser or its related persons may receive products and services in addition to brokerage services from a broker-dealer only in a manner consistent with (i) the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended, and (ii) the Firm's duty to seek best execution for its clients. Services that an adviser may receive from such broker-dealers may include research, general market commentary, economic information, trading advice, industry and company commentary, technical data, recommendations, general reports, quotations and other market data or information and the arrangement of meetings with the management of issuers. An adviser benefits from these arrangements because it does not have to produce or pay for the research, products or services received. An adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving soft dollar benefits rather than on clients' interest in receiving most favorable execution. As a result of an adviser's soft dollar practices, clients may be required to pay higher commissions than those charged by other broker-dealers in return for soft dollars. The services received from broker-dealers and paid for by a client may be used by an adviser's related persons, including in servicing other clients. Research and other soft dollar benefits may not always be utilized for the specific client that generated the soft dollar benefits, or in direct proportion to the value paid by each client. Additionally, it may not be possible to place a dollar value on the quality of executions or the soft dollar benefits that the Firm receives from broker-dealers effecting client transactions. Accordingly, broker-dealers selected by the Firm may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions, if the Firm determines in good faith that such amounts are reasonable in relation to the value of the soft dollar benefits provided by those broker-

dealers, viewed either in terms of a particular transaction or the Firm's overall duty to discretionary accounts.

TFG Asset Management does not currently enter into "soft dollar" arrangements with its broker-dealers, including for mixed-use products and services. To the extent TFG Asset Management considers use of "soft dollar" arrangements TFG Asset Management would amend its policies to ensure compliance with the applicable rules and regulations pertaining to these arrangements, and will only enter into arrangements within the Section 28(e) safe harbor requirements.

### *Trade Errors*

The Firm's Compliance Manual contains policies and procedures for identifying and correcting trade errors. These policies and procedures require that errors effecting client accounts be resolved promptly and fairly and aim to restore the effected client accounts to the appropriate financial position given all relevant circumstances. The Firm generally will not correct a trade error that affects a client by causing another client to buy or sell securities. The Firm generally will not reimburse losses suffered by clients resulting from trade errors unless the Firm has breached its standard of care as established by the relevant client document(s).

### *Position Filings*

Under the regulatory regimes applicable in certain jurisdictions client accounts and/or the Firm are from time to time be required to (1) make filings (with regulators and/or with the relevant issuer or exchange) relating to one or more of the client accounts' long or short positions in relation to the securities of particular issuers listed or incorporated in such jurisdictions where those positions exceed certain minimum size thresholds and/or (2) publish details of those positions to other market participants. Depending on the rules in the relevant jurisdiction, such filings or publications can be required to be made by, or in respect of the client account on a stand-alone basis or the Firm can be required to make the relevant filing or publication on an aggregated basis taking into account the positions of other client accounts whose assets are managed or advised by the Firm.

The Firm has established internal systems and reports that facilitate its ability to monitor client accounts against the relevant size thresholds. The Firm's ability to carry out such monitoring activities and to make accurate filings and publications on a timely basis is partly dependent on the Firm having accurate, up-to-date information about the number of the relevant issuer's securities that have been issued (including, without limitation (and depending on the rules in the relevant jurisdiction), information about the number of such securities that confer voting rights on the holder, the number of such securities that are held in treasury by the issuer, the exact date of issue of such securities and/or the date on which such securities became available for trading). In many jurisdictions, there is no definitive and completely reliable source which contains the relevant information. Consequently, the Firm uses a variety of third-party sources to try to obtain accurate

and up-to-date information. However, it is possible that, on occasion, the Firm will not have accurate, up-to-date information and this would lead to them making incorrect filings or publications and/or not making filings or publications on a timely basis. Some jurisdictions effectively operate a strict liability approach to any failures to comply with the requirements to make filings or publications on an accurate and timely basis, with the result that the Firm or client account will receive a fine or other sanction or penalty from the relevant regulator in the event of a failure to make such filings or publications on an accurate and timely basis, regardless of whether there are any mitigating circumstances (including, without limitation, where the inaccuracy or failure to file on time resulted from the use of inaccurate third-party data).

The fines and financial penalties for such breaches can be substantial. Consequently, to the extent that the client account is liable to pay such fines or penalties, the Firm generally will not reimburse fines and financial penalties suffered by clients resulting from position filings that are inaccurate or not filed on a timely basis unless the Firm has breached its standard of care as established by the relevant client's document(s).

#### *Aggregation of Orders*

From time to time, the Firm may purchase or sell the same security for several clients at approximately the same time. On such occasions, the Firm does (but is not obligated to) combine or "bunch" such orders in order to secure certain efficiencies and results with respect to execution, clearance and settlement of orders. When a bunched order is completely filled, each participating account will generally participate at the average price paid or received on that day for the bunched order, and share in any associated transaction costs, based upon the initial amount requested for the account.

The Firm can bunch such trades to reduce the overall level of brokerage commissions paid or otherwise enhance the proceeds or other benefits of the trade for its clients. However, the Firm may direct transactions to brokers based on both the broker's ability to provide high quality execution and the nature and quality of research services, if any, such brokers provide to the Firm. As a result, clients do not always pay the lowest available commission rates where their trades are affected in this manner, so long as the Firm believes that they are nonetheless obtaining best price and execution under the circumstances. Furthermore, the Firm will bunch orders in a manner designed to ensure that no particular client or account is favored and that participating clients are treated in a fair and equitable manner. Additionally, in bunching orders, the Firm will act in a manner it believes is equitable for clients.

#### **Item 13      Review of Accounts**

The Firm has a duty to ensure that its investment recommendations are suitable and that the fund portfolios are managed in conformity with the relevant investment objectives and guidelines as well

as any applicable restrictions, whether required under the terms of the fund documents and applicable law and/or regulation. The Firm's portfolio managers and analysts are responsible for understanding the investment objectives and policies of each fund or client account for which they exercise investment discretion. Generally, client accounts are reviewed on a regular basis by the appropriate Firm professionals which includes the relevant portfolio managers and other investment professionals, as well as the Chief Financial Officer, the Chief Compliance Officer, members of the Firm's investor relations group, risk professionals, among others, consistent with the account's needs. These reviews are designed to, among other things, monitor and analyze transactions, positions, investment levels and portfolio risk. The investment professionals meet regularly to review, among other things, global market conditions, potential risks in the capital markets as well as country, sector, industry or company level risk factors. This ongoing review is done in addition to the quarterly TMSCC review as discussed above in Item 12. Additionally, the Legal, Regulatory and Compliance Group reviews transactions for possible conflicts and adherence to the Compliance Manual and Code on a regular basis.

Investors in fund clients are furnished with annual financial statements examined by independent auditors. TFG Asset Management and/or the qualified custodian for such account also generally furnish investors with written monthly reports describing the fund's performance. Additionally, for the Firm's separately managed accounts, and when required by the client, trade confirmations are sent upon execution in such accounts.

#### **Item 14            Client Referrals and Other Compensation**

The Advisers Act allows registered investment advisers to pay a cash fee to a solicitor or other intermediary for referring clients only if pursuant to a written agreement that includes certain specific provisions including, in the case of an unaffiliated solicitor, that the solicitor provide a separate written disclosure document, in addition to the adviser's disclosure document, to prospective clients at the time of the solicitation. The adviser must receive from the client, prior to or at the time of entering into an advisory agreement with the client, a signed and dated acknowledgment of receipt of the adviser's disclosure statement and the solicitor's written disclosure document. An adviser must also make a bona fide effort to determine whether the solicitor has complied with the agreement and otherwise have a reasonable basis for believing the solicitor has complied with the above requirements. In respect of certain fund clients, TFG Asset Management has engaged and continues to engage placement agents (arrangers) in connection with the offering of securities. Such placement agents are paid placement fees in connection with their services. Any such arrangements or agreements are reviewed by the Firm's Legal, Regulatory and Compliance Group for compliance with applicable laws, rules and regulations and, additionally, are disclosed to the relevant investor in the applicable offering documents or otherwise.

Third-party solicitors in the United States will be registered as broker-dealers with the SEC, and third-party solicitors outside of the United States will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

## **Item 15           Custody**

TFG Asset Management does not maintain physical possession of the funds or securities in its funds, managed accounts and/or other investment vehicles. TFG Asset Management utilizes the services of a bank or other qualified custodian (as defined under Rule 206(4)-2 of the Adviser's Act) to hold all assets of any of its clients. TFG Asset Management also ensures that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under TFG Asset Management's name as agent or trustee for the clients.

The Firm also maintains custody of uncertificated securities acquired directly from the issuers in private placements and deposits other funds and securities with its qualified custodian. TFG Asset Management gives its clients notice in writing of the name and address of the qualified custodian(s) used and the manner in which the assets are maintained, promptly upon the opening of the account and after any change in the information.

However, under Rule 206(4)-2, the Firm is deemed to have "constructive" custody due to its ability to access certain of its client's funds and authority to deduct fees and other expenses from client accounts. While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, TFG Asset Management is generally not subject to this requirement because most fund clients are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, TFG Asset Management distributes audited financial statements to clients within 120 days of the end of the fiscal year of the fund.

## **Item 16           Investment Discretion**

The Firm accepts discretionary authority based on the an express grant of such authority in the management agreements, advisory agreements, limited partnership agreements and/or other contractual terms entered into between the Firm and its clients, to manage its client portfolios. Despite this broad authority, TFG Asset Management is committed to adhering to the investment strategy, investment guidelines and other limitations of each investment program set forth in each of its offering documents. Before accepting the discretionary authority inherent in managing its clients, TFG Asset Management carefully reviews the investment strategies and limitations of its investment programs set out in the relevant offering documents.

Additionally, this discretion is subject to certain limitations as described in the applicable offering documents and as may be required under applicable law and/or internal limitations. For example,

limitations may also be imposed when a purchase, when aggregated with positions in such security held by the Firm for itself, insiders and other clients would exceed applicable law or the Firm's self-imposed rules with regard to maximum size of positions in a security. Additionally, pursuant to the Firm's Confidential Information Barrier Policies & Procedures, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, in general, neither the Firm nor its professionals are permitted to trade in the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material non-public information. As such, there may be circumstances which will prevent the purchase or sale of securities for client accounts for a period of time.

## **Item 17        Voting Client Securities**

Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Because TFG Asset Management may be deemed to have authority to vote proxy proposals, amendments, consents or resolutions, or collectively proxies, relating to the companies in which it may invest on behalf of its clients, TFG Asset Management has adopted the Proxy Voting Policy in compliance with such rules. This policy covers the following topics, among others: the process by which proxy voting decisions are made, handling of material conflicts of interest, disclosing the Proxy Voting Policy to clients and maintaining appropriate books and records relevant to proxy voting. Under the Firm's policies, the relevant investment professional will generally provide guidance on proxy voting matters. The Firm's Operations Group is responsible for monitoring and reconciling proxies identified by the Firm's electronic Corporate Actions System, assisting in the mechanics of voting with respect to proxies on behalf of clients and maintaining records relating to proxies eligible to be voted on behalf of clients and the actual votes of such proxies.

To the extent that the Firm exercises or is deemed to be exercising voting authority over its clients' securities, the Proxy Voting Policy is designed and implemented in a manner reasonably expected to ensure that voting with respect to proxies is exercised in a manner that seeks to serve the best interest of its clients.

From time to time, conflicts may arise between the interests of a client, on the one hand, and TFG Asset Management's (or of its affiliates') interest, on the other hand. If TFG Asset Management determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, it will seek to address matters involving such conflicts of interest on a case-by-case basis in a fair and equitable manner, subject to legal, regulatory, contractual or other applicable considerations. TFG Asset Management, in its sole discretion, can elect not to vote a proxy if, after due analysis as described in the Firm's policy, it determines that abstaining is in the best interests of its clients. In making this determination, the Firm will consider factors such as whether the costs associated with voting the proxy exceed the expected benefit and trading restrictions that would result from the exercise of the proxy and whether the Firm will be flat shortly after the date of the of submission



and would no longer have a material interest in voting such proxy. The TMSCC reviews all proxies relating to client accounts as a part of its evaluation and meeting process.

#### *Class Action Law Suits*

From time to time a security held in a client account may become the subject of a class action lawsuit. In such cases, the Firm's Legal, Regulatory and Compliance Group will determine whether clients will participate in recovery achieved through a class action or opt out of the class action, pursuant to the Firm's class action law suit policies which are set forth in the Class Action Policy document. In making such assessment, the Legal, Regulatory and Compliance Group may consider factors such as the benefit of pursuing such class action and any material conflicts that may be associated with participation.

The Class Action Policy and records relating to proxy voting are available to investors upon request. To request a copy, please email the Legal, Regulatory and Compliance Group at [legal@polygoninv.com](mailto:legal@polygoninv.com).

#### **Item 18      Financial Information**

The Firm has never been the subject of a bankruptcy petition and it does not believe any financial condition exists that is reasonably likely to impair its ability to meet contractual commitments to its clients.

#### **Item 19      Requirements for State-Registered Advisers**

Not applicable.