

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

April 3, 2014

**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. (the “Adviser” or the “Registrant” or “TFG Asset Management”), 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 +44 (0) 207 901 8300. 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 on December 31, 2012.

This TFG Asset Management L.P. ADV Part 2 (“Brochure”) was updated April 3, 2014.

Item 4, Item 8, Item 10, Item 11, and Item 12 of this brochure have been revised to include further disclosure on management of the business as well as further disclosure of potential conflicts of interest associated with affiliated entities and managers.

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#### **Item 4            Advisory Business**

The Adviser (formerly, Polygon Management L.P.), along with certain of its affiliated management entities (collectively, the “firm” or “we”), is a global private investment firm founded by Reade Griffith and Paddy Dear in 2002. Michael Humphries joined Messrs. Griffith and Dear and the firm in 2009. The Adviser has been registered with the SEC since February 14, 2012. Registrant is a subsidiary of Tetragon Financial Group Limited (“TFG”), a Guernsey closed-end investment company traded on NYSE Euronext in Amsterdam under the ticker symbol “TFG”. TFG aims to provide stable returns to investors across various credit, equity, interest rate and real estate cycles. The company maintains two key business segments: an investment portfolio and an asset-management platform. Both business segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds.

The Adviser is the broadly-based asset management platform for TFG. The Adviser owns majority and minority stakes in asset managers and operates a global multi-product infrastructure. The Adviser generally focuses its funds on dedicated specific opportunities with liquidity designed to match the liquidity of the underlying assets in each fund. Fund investment teams manage fund capacity with a goal toward ensuring that performance and liquidity are not compromised. The Adviser’s portfolio managers and investment teams aim to provide returns across market cycles.

The TFG asset-management platform currently consists of Polygon Global Partners (“Polygon”), LCM Asset Management LLC (“LCM”) and the GreenOak Real Estate L.P. (“GreenOak”) joint venture. 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. One of the TFG asset management affiliates, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Conduct Authority.

An affiliate of Registrant, Tetragon Financial Management LP (“TFM”), manages TFG Asset Management. The management and control of TFM is vested in its general partner, Tetragon Financial Management GP LLC (the “General Partner”), which is responsible for all actions of TFM. The General Partner is ultimately controlled by Reade Griffith, Alexander Jackson and Paddy Dear, who also control TFG’s voting shareholder.

The Registrant provides investment advice to private funds, separately managed accounts or other investment vehicles. As a multi-strategy platform, the Registrant seeks to build investment vehicles that leverage the portfolio managers and investment teams’ specific areas of expertise and track records. The focus is on investing in areas where there is the opportunity for enduring alpha generation, and on working with groups and individuals that have demonstrated their ability over different business cycles. The Adviser’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.

LCM Asset Management LLC (“LCM”), an indirect, wholly-owned subsidiary of the Registrant, manages investor funds through a series of leveraged and non-leveraged vehicles or investment funds (including, collateralized loan obligations (“CLOs”)), accounts or vehicles which principally include portfolios of senior secured bank loans.

For each strategy, the Registrant seeks to ensure compatibility of the underlying assets and strategy terms (for example, liquidity and capacity) and alignment of our investors’ interests with the firm. The Registrant’s general approach and philosophy is to maximize investment returns as opposed to assets under management.

The Adviser 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 account. Offering memoranda are made available to investors only through the Adviser or another authorized party.

We do not participate in wrap fee programs.

The amount of client net asset value that the Adviser manages on a discretionary basis is approximately \$5.6 billion (as of December 31, 2013). The Adviser does not currently manage any client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

The Adviser 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 of 1940, as amended (the “Investment Company Act”).

Except with respect to certain leveraged and non-leveraged vehicles or investment funds (including CLOs) managed by LCM, the Adviser deducts all compensation described below automatically from clients’ accounts pursuant to their governing documents.

The fees and expenses associated with an investment in the Adviser’s funds or accounts vary and are described in the relevant fund or account’s governing documents. The following is a general description of fees and expenses paid by the Registrant’s clients. The Adviser may, in its discretion, manage other funds or accounts with higher or lower fees, different fee structures, and different account arrangements.

### **Clients of Registrant (excluding LCM)**

Management Fee. The Registrant is typically paid a management fee that is a percentage of the net asset value (“NAV”) or account balance of the relevant fund or account or as otherwise may be agreed. Such fees are typically paid monthly in advance. As redemptions from the fund client accounts are generally limited to specified redemption dates falling at month end, the Adviser

would not be required to refund any pre-paid management fees. If services with respect to a particular account are terminated prior to the complete rendering of services for the period, the Adviser 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. The Adviser may receive an incentive fee, performance fee or a “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, the Adviser receives carried interest from clients when distributions occur to underlying investors, and only upon achieving agreed targets. As a result, the Adviser does not receive carried interest on a regularly scheduled basis.

## **Clients of LCM**

LCM’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 paragraphs provide a general description of the types of fees associated with certain CLOs managed by LCM. LCM may 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, 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 LCM 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.

Organizational Expenses. Clients may also pay for expenses related to their organization, including, but not limited to:

- legal expenses,

- accounting expenses,
- filing expenses and fees incurred in connection with organizing and establishing the fund client 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 our fund client and its affiliates but excluding placement fees).

Certain clients may have a cap on the expenses listed above.

Operational Expenses. Clients will also pay for expenses related to their operation, such as:

- fees, costs and expenses directly related to the purchase, holding and sale of the client's investments, including 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 fund's investors),
- any insurance, indemnity or litigation expense,
- any asset and property management services,
- registered office fees and filing fees,
- directors' fees (if any),
- certain taxes,
- any fees or other governmental charges levied against the client fund, 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.

The Registrant seeks to allocate the expenses among the applicable clients and the applicable investments of each client in a fair and reasonable manner.

Adviser compensation is subject to waiver or reduction at the firm's discretion. The firm, its affiliates and certain of the firm's professionals may invest in investment vehicles advised by us.

The Adviser's principals and employees and other affiliates may be subject to reduced management fees, performance fees and/or carried interest on their direct or indirect investment in fund clients. In addition, certain fund clients may offer a zero fee class of shares or interests to certain investors, including charitable institutions and our affiliates.

#### **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 existence of these performance fees and allocations may create an incentive for the firm or its affiliates to make riskier or more speculative investments on behalf of the clients paying a performance fee or allocation. In addition, the non-existence or the existence of different rates of performance fees or allocations may create an incentive for the firm or its affiliates to favor certain clients when making an investment decision than would be the case in the absence of these arrangements. In order to avoid such conflicts, the firm maintains policies and procedures with the aim to guide reasonable allocation of investment opportunities among clients in a fair and reasonable manner, which does not consider performance fees or other similar factors. 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. The firm's investment in its client funds also aids in aligning the Adviser's interests with the interests of its clients.

#### **Item 7            Types of Clients**

TFG Asset Management's clients are mainly pooled investment vehicles (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 the Adviser's funds are registered as investment companies with the SEC.

The firm's subsidiary, LCM, currently serves, and may in the future serve, as collateral manager or manager 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 an account. Each of the Adviser's clients, in turn, may impose their own requirements, including minimum investment size and satisfaction of other relevant criteria, including requiring that each such investor in such client is both an "accredited investor" (as defined in Regulation D under the Securities Act of 1933) and a "qualified purchaser" (as defined in the Investment Company Act).

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

Below is a general summary of TFG Asset Management's investment strategies, methods of analysis and material risks. More information on each of the above can be found in the relevant client's offering documents.



## Methods of Analysis and Investment Strategies

As a multi-strategy platform, the Adviser seeks to build investment vehicles that leverage the firm's specific areas of expertise and track records. The Adviser is focused on investing in areas where 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, the Registrant 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 intends to invest 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, excluding Europe. The fund may to 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 outside of Europe.

### *Recovery Fund strategy*

Polygon Recovery Fund L.P. was established to provide investors exposure to an identified portfolio of securities (the “Portfolio Securities”). The Portfolio Securities comprise investments in the United States, Europe and Asia Pacific across multiple industries, including, among others telecommunications, retail, financial, media, insurance, and natural resources. Polygon Recovery Fund L.P. will seek to dispose of its Portfolio Securities in an orderly manner intended to maximize value for all partners within the term of the partnership. Polygon Recovery Fund L.P. is not currently offering securities for subscription.

### *Mining Securities strategy*

The investment objective of the Polygon Mining Opportunity Fund (and its affiliated funds) is to seek superior risk adjusted returns. It seeks to achieve its investment objective primarily through investments (directly or indirectly) in, or relating to, mining companies and other mineral-related businesses and opportunities. Investments may be made pursuant to various strategies and on the basis of fundamental, technical, security, event or company or opportunity-specific research. Strategies may involve investments in equities (both long and short) as well as other elements of a firm’s capital structure, in addition to investments in commodities, options, futures and other derivative securities.

### *Distressed Opportunities strategy*

The investment objective of the Polygon Distressed Opportunities Fund is to seek superior risk-adjusted returns. The fund will focus on non-control distressed opportunities and invest in a full array of instruments across capital structures, industries and geographies and will seek to optimize its portfolio for an appropriate risk / reward profile. The fund expects to primarily focus its investments on instruments issued by European and United States domiciled companies, with a secondary focus on other global markets. The fund will invest both long and short with a focus on event-driven returns where dependence on the credit cycle is not a significant component of determining eventual investment results.

### *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.

### General Risks

Some of the risks associated with the Adviser’s investment strategies, and the securities and other assets utilized to implement those strategies, include but are not limited to those listed below. Please consult a 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 must

be prepared to bear the loss of their entire investment. The risks and uncertainties discussed below are those that the Adviser 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.

### *Overview*

Registrant 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. Fund 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 the Adviser 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 the Adviser's objectives and the risk factors described below.

### *General Economic and Market Conditions*

The success of the client funds' 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 (e.g., a market crash) that is not anticipated by TFG Asset Management.

### *Reliance on our Principals and Investment Professionals*

Clients rely exclusively on the Adviser's principals and investment professionals for the management of its investment portfolios. The clients are highly dependent on the financial and managerial experience of the principals and any investment professionals employed by the Registrant. If such persons ceased for any reason to participate in the management of any of the client funds or accounts, the consequence could be material and adverse and could lead to pre-termination of client funds. In addition, the clients are not direct beneficiaries of any employment arrangements between such persons and Registrant, and such arrangements are in any event subject to change without notice to, or the consent of the clients.

### *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.

### *Regulatory Risks of Hedge Funds*

The regulatory environment for hedge funds is evolving and changes therein may adversely affect the ability of the Adviser's hedge fund clients to obtain the leverage they might otherwise obtain or to pursue their investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action, which may adversely affect the value of the investments held by Registrant's clients. The effect of any future regulatory or tax change on clients is impossible to predict.

Clients of the Adviser should review offering documents specific to a client's product for further information on the regulatory risks facing the hedge fund strategy or product in which the client is invested.

### Investment Strategy Risks

#### *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 more risk and 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. The Adviser 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 the will be successful in fully mitigating the impact of interest rate changes.

### *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.

### *Convertible Securities*

The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a client is called for redemption, the client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the ability of a client to achieve its investment objective.

### *Investments in Undervalued and Overvalued Securities*

Registrant 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.

### *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 asked 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. The Adviser's clients, however, do not generally make investments for the purpose of exercising day-to-day management of any issuer's affairs.

The Adviser'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 the Adviser'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 timeframe 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.

### *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 the Adviser 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 the Adviser 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 the Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. For some investments, the Adviser 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.

### *Special Investment Instruments and Techniques*

Clients may utilize 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.

### *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 Registrant clients to be able to sell short securities for either hedging or speculative purposes in some jurisdictions.

### *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 a client 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.

The Adviser'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*

The Adviser'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. The



Adviser's fund clients do not generally have restrictions on the amount of leverage that can be incurred and, therefore, the risk of highly leveraged investment 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. The Adviser 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 the Adviser will be successful in fully mitigating the impact of interest rate changes on the portfolios.

#### *Recovery Fund Portfolio Concentration*

Polygon Recovery Fund L.P. investors have exposure to the limited investment portfolio comprised of the Portfolio Securities and certain new investments made for purposes of managing or disposing of the Portfolio Securities. Although the Portfolio Securities are comprised of investments in diverse industries, poor performance by one or more of the Portfolio Securities could adversely affect the fund's total returns and profitability.

#### *Risks relating to the Mining Securities strategy*

The Polygon Mining Opportunity Fund 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.

#### *Risks relating to the Loan strategy*

Many of LCM's 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 or lower than BBB by 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 LCM's portfolio and cash flows received.

Many of LCM's investments in securitization vehicles 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 may make it difficult for LCM to sell certain holdings.

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

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

The modeled cash flow predictions and assumptions used to calculate the internal rate of return and fair value of each CLO investment may 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 personnel, 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.

LCM's direct and/or indirect investments in real estate assets are subject to numerous risks. Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond LCM's control. Events which could negatively affect real estate investments include, but are not limited to:

- adverse changes in international, national or local economic and demographic conditions;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- inability to collect rent from tenants;
- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds; and
- fluctuations in interest rates, which could adversely affect LCM's ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all.

Real estate investments are generally illiquid, and therefore LCM or the relevant manager may not be able to dispose of properties when appropriate or on favorable terms.

As LCM invests in new asset classes and as its asset mix changes, its revenues and profitability could be reduced.

Registrant's affiliates, partners, members, officers, principals and employees 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 Registrant and its affiliates.

## **Item 9           Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Registrant's management.

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

Our 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 Mining L.P.
- Polygon Private Investment Partners LP
- Polygon Recovery Manager LP
- Polygon Distressed Opportunities Manager LP
- LCM Asset Management LLC

All of the above investment advisers, other than TFM, rely on Registrant's registration as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). TFM, the investment manager of TFG, is separately registered as an investment adviser under the Advisers Act (see SEC File number 801-74151; CRD number 156041). TFG, the Registrant's indirect parent company, is a publicly traded Guernsey closed-end investment company traded on NYSE Euronext in Amsterdam under the ticker symbol "TFG". TFG's economic and business interests and objectives may differ significantly from those of Registrant's clients. As such, the interests of TFG's shareholders may not be aligned with the interests of Registrant's fund investors

or other clients. In any such situations where their interests are not aligned, Registrant faces a conflict of interest when it acts or fails to act.

The Registrant and certain of its affiliated managers are part of the TFG group, a broad-based, international financial services and asset management firm and, as such, TFG 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. TFG 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 applicable clients', funds' or accounts' behalf. TFG and its affiliates in the future may acquire or create additional asset managers that may engage in similar activities to those of the Registrant and its affiliated managers. TFG and its affiliates invest and may continue to invest in a wide array of assets and asset classes across multiple geographic areas.

Certain inherent conflicts of interest arise from the fact 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 program. 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 Registrant (or its affiliate) for another client and affect the prices and availability of the securities and instruments in which Registrant (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 Registrant or its affiliates. In such cases, participation in such opportunities will generally be allocated on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the respective investment programs and portfolio positions of clients or investment programs. Such considerations may result in allocations of certain investments on other than a *pari passu* basis.

Certain separately managed accounts may be invested in parallel with Registrant'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 Registrant'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 Registrant (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.

From time to time, TFG, the Registrant and certain of its affiliated managers may determine that a sale of positions from one client to another is in the interests of both clients. For example, a fund may acquire investments from unrelated sellers and may re-offer a portion of such investments to affiliated investment vehicles. While these transactions with related parties are expected to expand the universe of opportunities that are available to applicable funds and other clients of TFG, the Registrant and certain of its affiliated managers, funds will not necessarily derive a benefit from each such transaction, and the parties to a particular transaction may have divergent interests. Moreover, there may be uncertainties regarding the valuation of investments that are subject to these transactions.

Funds may participate in transactions in which the Registrant 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.

For example, such funds may, from time to time, invest in, purchase or receive assets from, sell or otherwise transfer assets to, other investment funds or accounts for which the Registrant or its affiliates or their officers, employees, principals or affiliates or a joint venture in which any of the foregoing have an interest, serve as investment manager, general partner, service provider or act in a similar capacity.

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

TFG and its affiliates and their respective partners, directors, officers, employees and agents may acquire material non-public and confidential information that may restrict by law, internal policies or otherwise the Registrant 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.

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

### Code of Ethics

TFG Asset Management's Supervised Persons, and any other person who is subject to the firm's supervision and control, (including members of their household) (collectively "Covered Persons") must abide by the firm's Code of Ethics (the "Code") as adopted and as required under Rule 204A-1 of the Advisers Act. The Code sets forth standards of ethical conduct and ensures that the firm fulfills its role as a fiduciary to its clients. The Code covers the following topics, among others: (i) guidelines and standards for business conduct; (ii) personal trading procedures, including pre-clearance and reporting obligations; (iii) limitations on, and reporting of, gifts and entertainment; and (iv) pre-clearance of political contributions. On an annual basis, the firm requires all employees to certify that they are in compliance with the Code.

A copy of the Code will be provided to any existing or prospective clients upon request. To request a copy, please email the Adviser's Compliance Department at [compliance@polygoninv.com](mailto:compliance@polygoninv.com).

The Personal Trading Policies require Covered Persons to notify the Compliance Department of any personal securities account at any brokerage firm. The Covered Persons are required to notify their brokerage firm to provide duplicate copies of trade confirmations, statements and other information concerning the account directly to the Compliance Department. Covered Persons must report all accounts in which they have a beneficial interest and hold reportable securities. The firm requires Covered Persons to obtain permission from the Compliance Department prior to effecting any transaction in non-exempt securities. Covered Persons generally may not trade any non-exempt security that is (i) being considered by a portfolio manager for purchase or sale for the benefit of any client; (ii) currently held by a client; and/or (iii) was sold on behalf of any client within 90 days of the date of a supervised person's request to trade such security. Any exceptions to the Code's Personal Trading Policies shall be reviewed and approved by the CCO or designee.

The Adviser's Insider Trading and Market Abuse Policy prohibits employees from purchasing or selling securities while in possession of material non-public information, and prohibits employees from disclosing material non-public information to any person, including, but not limited to, family members.

The Code also includes policies and procedures regarding giving or receiving gifts and business entertainment between the Adviser's employees and certain third parties (*e.g.*, vendors, broker-dealers, consultants, officials, etc.) to help mitigate the potential for conflicts of interest surrounding these practices. In general, TFG Asset Management limits the amount (*i.e.*, value and frequency) of gifts and business entertainment that may be provided by employees to these parties, and requires employees to obtain pre-approval from the Compliance Department for gifting of certain items. The Adviser 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 our clients.

As part of its Code, the Registrant maintains policies and procedures that set forth specific requirements and pre-clearance and approval procedures for employee political contributions and other related activity. All Covered Persons must obtain approval from the Compliance Department prior to engaging in coordinating or soliciting contributions, or engaging in any other fundraising. The pre-clearance approval requirements for personal contributions, coordination and solicitation of contributions and fundraising also cover employees' spouses and dependent children. The Compliance Department monitors all such contributions in furtherance of its efforts to comply with federal law and to inhibit the potential for any such contributions to affect the awarding of public business related to the management of assets.

The Adviser is firmly committed to making its employees and investors (both current and prospective) aware of the requirements within the Compliance Manual, which also contains the firm's Code. All of the Adviser's employees are provided with a copy of the firm's Compliance Manual at the time of hire and annually thereafter, and each employee must affirm that they have received a copy of the Compliance Manual, and that they have read and understood its provisions. Additionally, the firm conducts periodic compliance training that addresses the requirements of the Compliance Manual and the other policies described in this Item.

#### *Client Transactions in Securities where Adviser has Material Financial Interest*

The Registrant's clients may participate in transactions in which the Registrant 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 Registrant or its affiliates and their respective officers, employees and principals, on the other hand, may have conflicting interests.

For example, a client of Registrant may, from time to time, invest in, purchase or receive assets from, sell or otherwise transfer assets to, other investment funds or accounts for which Registrant or its affiliates or their officers, employees, principals or affiliates or a joint venture in which any of the foregoing have an interest, serve as investment manager, general partner, service provider or act in a similar capacity.

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(s).

## **Item 12      Brokerage Practices**

The Registrant is responsible for choosing the brokers, dealers and counterparties (each, a "broker" and collectively, "brokers") used to execute securities transactions on behalf of the Adviser's clients, subject to the Adviser's obligation to obtain the best commission price and execution on any particular transaction. In selecting brokers, the Adviser may weigh a combination of the following factors: execution, capabilities with respect to different types of orders and securities, commissions charged by the broker, the broker's financial stability and the quality of service (including availability of margin or leverage), clearing capabilities, nature and frequency of sales coverage, the broker's reputation and responsiveness to the Adviser'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 the Adviser in determining best execution.

The Adviser engages the services of certain prime brokers (collectively, the “prime brokers”). The services provided by prime brokers to the Adviser include custody, execution, stock borrowing, clearing, financing, settlement, banking, foreign exchange, reporting and other related services. The Registrant 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 the Adviser (referred to as “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 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 the Adviser’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, the Adviser 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 the Adviser’s best interests to do so or its is not feasible to do otherwise, such custodied assets will 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.

The Adviser 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.

In addition to the continuous supervision of assigned portfolios and accounts by relevant persons, the firm also established a Trade Management Supervisory Committee (“TMSC”) to provide additional supervision and monitoring of the firm’s trading activities. The TMSC meets approximately quarterly and is comprised of representatives from the following teams: investments, operations, legal, compliance and finance.

The TMSC has the following responsibilities:

- establish and maintain Registrant’s Approved Trader List;
- approve broker-dealers through which discretionary client accounts may be executed and authorizing the removal of brokers from the Approved Broker list;
- evaluate the performance of broker dealers including commission rates, execution services, reliability and coverage;



- review brokerage allocation;
- review and approving soft dollar arrangements;
- review trade errors and determining 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; and
- ensure adequate internal controls are maintained over the firm's trades and trading activities.

### *Soft Dollars*

The Adviser or its related persons may receive from a client's broker-dealers products and services in addition to brokerage services. "Soft dollars" generally will be used within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Services that the 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. The Adviser benefits from these arrangements because it does not have to produce or pay for the research, products or services received. The 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 the 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 the Adviser's related persons, including in servicing other clients, and certain of such services may not be used to benefit the client. The Adviser follows procedures that it believes are reasonably designed to ensure that the soft dollars are used in a manner that is consistent with seeking best execution, and that it identifies which services are within or outside the safe harbor.

The Adviser has not acquired any products or services with soft dollars during the past year.

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

Generally, client accounts are reviewed on a regular basis by Messrs. Griffith, Dear and Humphries, other investment professionals, the Chief Financial Officer and the Chief Compliance Officer, among others. 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 country, sector, industry or company level risk factors.

Investors in fund clients are furnished with annual financial statements examined by independent auditors. The Adviser also generally furnishes investors with written monthly reports describing the fund's performance.

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

In respect of certain fund clients, the Adviser has on occasion engaged 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 are disclosed to the investor in the applicable offering documents or otherwise.

Third-party solicitors in the U.S. will be registered as broker-dealers with the SEC, and third-party solicitors outside of the U.S. 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**

Due to the Adviser's access to certain of its client's funds and authority to deduct fees and other expenses from a client's account, the Registrant is deemed under Rule 206(4)-2 of the Advisers Act to have custody of such client's funds.

The Adviser utilizes the services of a bank or other qualified custodian (as defined under Rule 206(4)-2) to hold all assets of any of its clients. The Adviser also ensures that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under the Registrant'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. The Adviser 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.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, the Registrant is generally not subject to this requirement because most fund clients managed by it 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, the Registrant distributes audited financial statements to investors within 180 days of the end of the fiscal year of the fund.

#### **Item 16      Investment Discretion**

The firm accepts discretionary authority to manage its client portfolios, subject to certain limitations as described in the applicable offering documents. Despite this broad authority, the Adviser 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, the Adviser carefully reviews the investment strategies and limitations of its investment programs set out in the relevant offering documents.

#### **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 the Adviser may be deemed to have authority to vote proxies relating to the companies in which it may invest on behalf of its clients, the Adviser has adopted a set of policies and procedures in compliance with such rules. To the extent that it exercises or is deemed to be exercising voting authority over its clients' securities, the policy is designed and implemented in a manner reasonably expected to ensure that voting with respect to proxy proposals, amendments, consents or resolutions (collectively, "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, the Adviser's interest (or of its affiliates), on the other hand. If the Adviser 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. The Adviser, in its sole discretion, may elect not to vote a proxy if unduly burdensome.

The policy is available to investors upon request. To request a copy, please email the Compliance Department at [compliance@polygoninv.com](mailto:compliance@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.