

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

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**Tetragon Financial Management LP**

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**This brochure provides information about the qualifications and business practices of Tetragon Financial Management LP., 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 Tetragon Financial Management LP 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 December 31, 2012. There have been no material changes made to the brochure since the most recent filing.

Several Items of this brochure have been revised, including the following:

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 TFG's asset management platform.

**Item 3            Table of Contents**

**Item**

1.	Cover Page .....	1
2.	Material Changes .....	2
3.	Table of Contents .....	3
4.	Advisory Business .....	4
5.	Fees and Compensation .....	5
6.	Performance-Based Fees and Side-by-Side Management .....	6
7.	Types of Clients .....	7
8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	7
9.	Disciplinary Information.....	14
10.	Other Financial Industry Activities and Affiliations.....	14
11.	Code of Ethics, Participation in Client Transactions and Personal Trading .....	14
12.	Brokerage Practices. ....	16
13.	Review of Accounts.....	18
14.	Client Referrals and Other Compensation .....	18
15.	Custody .....	18
16.	Investment Discretion .....	19
17.	Voting Client Securities.....	19
18.	Financial Information.....	19
19.	Requirements for State-Registered Advisers. ....	20

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

Tetragon Financial Management LP (“Tetragon,” the “Investment Manager”, or the “firm”) serves as the investment manager of Tetragon Financial Group Limited (“TFG”), a Guernsey closed-ended 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. TFG invests through a master-feeder structure in Tetragon Financial Group Master Fund Limited, a Guernsey closed-ended investment company (the “TFG Master Fund”). Tetragon also serves as the investment manager of the TFG Master Fund.

TFG’s investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use its market experience to negotiate favorable transactions and terms for TFG’s investments in asset classes and in asset managers. As part of this current investment strategy, Tetragon may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

TFG’s asset-management platform currently consists of Polygon Global Partners (“Polygon”), LCM Asset Management LLC (“LCM”) and GreenOak Real Estate L.P. (“GreenOak”). TFG Asset Management L.P. (“TFG AM”), an indirect subsidiary of TFG, is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 and one of its investment management affiliates, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Services Authority.

The management and control of Tetragon is vested in its general partner, Tetragon Financial Management GP LLC (the “General Partner”), which is responsible for all actions of Tetragon. The General Partner is ultimately controlled by Reade Griffith, Alexander Jackson and Paddy Dear, who also control TFG’s voting shareholder. The General Partner and Tetragon are affiliated with TFG AM. Mr. Griffith acts as the authorized representative of the General Partner and the Investment Manager.

The investment committee of Tetragon (the “Investment Committee”) currently consists of Jeffrey Herlyn, Michael Rosenberg, David Wishnow, Reade Griffith and Paddy Dear and is responsible for the investment management of the portfolio and the business. The Investment Committee currently sets forth the investment strategy and approves each significant investment by the TFG Master Fund.

The risk committee of Tetragon (the “Risk Committee”) has the same composition as the Investment Committee. The Risk Committee is currently responsible for the risk management of the portfolio and the business and performs active and regular oversight and risk monitoring.

In April 2012, Tetragon entered into a services agreement (the “Services Agreement”) with Polygon Global Partners LLP (“PGP LLP”) and Polygon Global Partners LP (“PGP LP”) (together, the “Services Providers”) following the termination of a prior services agreement with entities affiliated with Reade Griffith, Alexander Jackson and Paddy Dear. The Services Providers have been indirect subsidiaries of TFG since October 28, 2012, when TFG acquired TFG AM 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 employee benefits and other services to Tetragon in exchange for fees payable by Tetragon to the Services Providers. In addition, since April 30, 2012, the Services Providers have also acted as the “Service Providers” to each of LCM and GreenOak and to various Polygon managers pursuant to applicable separate services agreements.

The firm tailors its advisory services in accordance with each client's governing documents. These documents typically contain investment guidelines for and/or investment restrictions imposed on the applicable fund or account.

The firm does not participate in wrap fee programs.

The amount of client net asset value that we manage on a discretionary basis in TFG is approximately \$1.8 billion (as of December 31, 2013). Tetragon does not currently manage any client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

The firm 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").

The Investment Manager deducts all compensation described below automatically from our clients' accounts pursuant to their governing documents.

The fees and expenses associated with an investment in the Investment Manager'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 our clients. The firm may, in its discretion, manage other accounts with higher or lower fees, different fee structures, and different account arrangements.

Tetragon earns fees and is reimbursed for expenses pursuant to an investment management agreement with TFG and the TFG Master Fund. All fees and expenses of TFG and the TFG Master Fund, except for incentive fees (as described below), are paid by the TFG Master Fund, including management fees relating to the administration of TFG.

Tetragon is entitled to receive management fees equal to 1.5% per year of the net asset value (NAV) of TFG, payable monthly in advance prior to the deduction of any accrued incentive fees. No separate management fees are payable with respect to the NAV of the TFG Master Fund.

TFG also pays Tetragon an incentive fee for each Calculation Period (as defined below) equal to 25% of the increase in the NAV of TFG during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of Shares (or other relevant capital adjustments) during such Calculation Period) above (i) the Reference NAV (as defined below) plus (ii) the Hurdle (as defined below) for the Calculation Period. If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period. A "Calculation Period" is a period of three months ending on March 31, June 30, September 30 and December 31 of each year, or as otherwise determined by the board of directors of TFG.

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

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

The “Hurdle Rate” for any Calculation Period equals 3-month U.S. Dollar LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period plus the hurdle spread of 2.647858%, in each case multiplied by (x) the actual number of days in the Calculation Period divided by (y) 365.

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

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

In recognition of the work performed by Tetragon in successfully arranging the global offering and the associated raising of new capital for the company, TFG granted to Tetragon options (the “Investment Management Options”) to purchase 12,545,330 of TFG's Non-Voting Shares (before the application of potential anti-dilution) at an exercise price per share equal to the IPO offer price (U.S. \$10). The Investment Management Options are fully vested and immediately exercisable on the date of admission to the NYSE Euronext in Amsterdam and will remain exercisable until the 10<sup>th</sup> anniversary of that date (*i.e.*, April 26, 2017).

The Investment Manager’s clients generally bear all costs and expenses directly related to their investments or prospective investments, such as brokerage commissions, interest on debit balances or borrowings, custodial fees, and legal and consultant fees. The clients also generally bear all out-of-pocket costs of administration including accounting, audit, administrator and legal expenses, costs of any litigation or investigation involving the clients’ activities, costs associated with reporting and providing information to existing and prospective investors, and the costs of liability insurance, as detailed in the relevant client’s governing documents. When the firm incurs expenses on behalf of multiple client accounts, it seeks to allocate the expenses among the applicable clients in a fair and reasonable manner.

Where the Investment Manager receives management fees in advance from a particular account and its services with respect to that account are terminated prior to the end of the billing period, TFM would refund to the relevant client an amount of management fees prorated from the date of its termination to the end of the period covered by the advance fee.

For more information on brokerage transactions and costs, please see Item 12 – Brokerage Practices.

The Investment Manager’s compensation is subject to waiver or reduction in its discretion. The firm, its affiliates and certain of its professionals may invest in investment vehicles advised by the Investment Manager. The firm’s principals and employees may be subject to reduced management fees, performance fees and/or carried interest on their direct or indirect investment in its fund clients.

## **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 and a fiduciary, TFM 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**

As of the date of this brochure, the firm's only clients are TFG, a Guernsey closed-ended investment company traded on NYSE Euronext in Amsterdam, and the TFG Master Fund. TFG invests substantially all of its capital through the TFG Master Fund.

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

Below is a general summary of our investment strategies, methods of analysis and material risks. More information on each of the above can be found in the offering documents with respect to each fund or investment vehicle.

### *Methods of Analysis and Investment Strategies*

TFG's investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use its market experience to negotiate favorable transactions and terms for TFG's investments in asset classes and in asset managers. As part of this current investment strategy, Tetragon may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

### *Risks Generally*

Some of the risks associated with the Investment Manager's investment strategies, and the securities and other assets utilized to implement those strategies, include but are not limited to those listed below. 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 firm believes are material, but these risks and uncertainties are not the only ones that may be applicable to particular clients. Please refer to the TFG website ([www.tetragoninv.com](http://www.tetragoninv.com)) for additional information.

An investment in shares (the "Shares") of TFG (together with the TFG Master Fund, the "Company") involves substantial risks and uncertainties.

### Risks Relating to the Company's Investment Portfolio

Many of the Company's investments are in the form of highly subordinated securities, which are susceptible to losses of up to 100% of the initial investments, 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 (collateralized loan obligations) 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 the Company's investment portfolio and cash flows received.

Many of the Company'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 the Company to sell certain holdings.

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

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

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

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

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

The Company's investments are subject to interest rate risk, which could cause the Company's cash flow, fair value of its assets and operating results to decrease.

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

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

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

The Company intends to engage in over-the-counter trading, which has inherent risks of illiquid markets,



wide bid/ask spreads and market disruption.

The modeled cash flow predictions and assumptions used to calculate the IRR and fair value of each CLO investment may prove to be inaccurate and require adjustment.

Investments in real estate assets are subject to numerous risks.

Through GreenOak Real Estate (“GreenOak”), a real estate focused principal investing and advisory firm, the Company invests its capital, directly and indirectly, in certain real estate investments. Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond the Company’s control.

Certain investment strategies, including co-investments and joint ventures, may limit the Company’s control over particular investments.

#### Risks Relating to the Company’s Asset Management Platform

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. The firm’s asset management business 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 the firm’s competitive risks:

- a number of our competitors in some of the firm’s businesses have greater financial, technical, marketing and other resources and more personnel than the Investment Manager does;
- some of the firm’s funds may not perform as well as competitors’ funds or other available investment products;
- several of the Investment Manager’s competitors have significant amounts of capital, and many of them have similar investment objectives to the Investment Manager’s, 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 the Investment Manager, which may create competitive disadvantages for the firm with respect to investment opportunities;
- some of the firm’s competitors may be subject to less regulation and accordingly may have more flexibility to undertake and execute certain businesses or investments than the Investment Manager can and/or bear less compliance expense than it does;
- some of the firm’s competitors may have more flexibility than the firm in raising certain types of investment funds under the investment management contracts they have negotiated with their investors;

- some of the Investment Manager's 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 the firm for investments that we want to make;
- there are relatively few barriers to entry impeding new alternative asset fund management firms, and the successful efforts of new entrants into the firm'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 the firm's competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than the firm does;
- the Investment Manager's 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;
- some investors may prefer to invest with an investment manager that is not publicly traded or is smaller with only one or two investment products that it manages; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from the Investment Managers.

Asset management and financial advisory businesses are subject to extensive regulation, which affects the Company's activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on the Company's business. Recent 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 and the European Market Infrastructure Regulation, could adversely affect the Company's business.

TFG's failure to deal appropriately with conflicts of interest in its investment business could damage its reputation and adversely affect its businesses.

As TFG has expanded and continues to expand the number and scope of its businesses, it increasingly confronts potential conflicts of interest relating to its activities. Certain of its funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to decisions regarding how to allocate investment opportunities among those funds. To the extent the firm fails to appropriately deal with any such conflicts, it could negatively impact TFG's reputation and ability to raise additional funds or result in potential litigation against us or TFG.

Poor performance of managed investment funds and vehicles would cause a decline in TFG asset management revenue, income and cash flow, and could adversely affect TFG's ability to raise capital for future investment funds.

TFG's asset management business depends in part on its ability to raise capital from third-party clients. If it is unable to raise capital from third-party clients, it would be unable to collect management fees or deploy its capital into investments and potentially collect transaction fees or incentive fees, which would materially reduce TFG's asset management revenue and cash flow.

The performance of LCM and, in turn, the Company's operating results, may be negatively influenced by various factors.

The performance of LCM, an asset management entity that specializes in below-investment grade, U.S. corporate, broadly-syndicated loans, and, in turn, the Company's operating results, may be negatively influenced by various factors, including the (i) performance of LCM-managed CLOs, which in general are subject to the same risks as the Company's CLO investments and 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. Furthermore, the Company's ownership of LCM may negatively impact certain aspects of the Company's CLO investment strategy and as a result the Company's performance. For example, the Company's relationship with its asset managers (other than LCM) may be negatively affected as such asset managers view the Company as a competitor. Further, there are inherent conflicts of interest if the Company invests in the residual tranches of LCM-managed CLOs which may make it more difficult to market and manage such CLOs. LCM may have difficulty marketing such CLOs because some investors may be unwilling to invest in CLOs where the owner of the manager is also the majority holder of the residual tranches. In addition, due to certain provisions of applicable collateral management agreements the Company may be precluded from exercising certain of its voting rights with respect to the securities it owns in LCM managed CLOs, which may restrict the Company's ability to manage certain risks associated with its investment in such CLOs. Finally, the Company's ability to diversify its investments across multiple asset managers may conflict with its desire to grow the LCM business through its participation in LCM managed deals.

The performance of Polygon and, in turn, the Company's operating results, may be negatively influenced by various factors.

The performance of Polygon, which the Company acquired in October 2012, and, in turn, the Company's operating results, may be negatively influenced by various factors, including the (i) performance of Polygon-managed funds and accounts which pay management and performance based fees to TFG AM and its affiliates and (ii) ability of Polygon to retain key personnel, the loss of whom may negatively affect Polygon's ability to provide asset management services in a fashion, and of a quality, consistent with its prior practice.

GreenOak has a limited prior operating history and it may be unable to successfully operate its business or achieve its investment objectives.

As the Company becomes more of a financial services firm, it may face difficulties as it invests in asset classes in which it does not have substantial experience, including real estate investments. Previously, the Company has focused its investments on the residual tranches of CLO products and leveraged loans. In 2010, the Company acquired interests in LCM and GreenOak. The Company expanded its asset management business in October 2012 through its acquisition of the asset management businesses and infrastructure platform of Polygon, along with Polygon's interests in LCM and GreenOak.

As the Company diversifies the asset classes in which it invests, including through acquiring and investing directly in asset managers and other operating businesses, its revenues and profitability could be reduced.

The Company may face difficulties as it begins to function not only as an investment holding company, but also as a Company that owns operating companies.

If the Company is unable to effectively manage its transition from an investment holding company to a Company that owns operating companies and the expansion of its investment strategy into new asset classes, its results of operations could be negatively affected.

#### Risks Relating to TFG and the TFG Master Fund

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

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

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

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

Shareholders will not be able to terminate the investment management agreement, and the investment management agreement may only be terminated by TFG or the TFG Master Fund in limited circumstances.

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

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

TFG may experience fluctuations in its operating results from month-to-month and quarter-to-quarter due to a number of factors, including changes in the fair values of investments that it makes through the TFG Master Fund, which in turn could be due to changes in the amount of distributions, dividends or interest paid in respect of investments, changes in TFG's or the TFG Master Fund's operating expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which TFG or the TFG Master Fund encounters competition and general economic and market conditions.

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

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

The Company may become involved in litigation that adversely affects the Company's business, investments and results of operations.

No formal corporate governance code applies to TFG under Dutch law and TFG will not be bound to comply with the U.K. Combined Code other than as set forth in its articles of incorporation.

### Risks Relating to the Investment Manager and Services Providers

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

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

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

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

### Risks Relating to Affiliated Relationships

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

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

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

Certain inherent conflicts of interest may arise from the fact that Polygon, an indirect subsidiary of TFG since October 2012 (when TFG acquired Polygon), and other affiliates currently provide investment management services to other investment funds and may, in the future, carry on investment activities for other clients, including other investment funds, securitization vehicles, client accounts and proprietary accounts in which the Company will have no interest and whose respective investment programs may or may not be substantially similar. Participation in specific investment opportunities may be appropriate at times for both the Company and such other investment programs. In particular, the investment program of such other investment funds allow investments in securitization vehicles and other instruments in which the Company may invest, which may lead the Investment Manager to pursue investment opportunities other than in the way most advantageous to the Company. In addition, the portfolio strategies employed for other investment programs could conflict with the transactions and strategies employed in managing the Company's portfolio and affect the prices and availability of the securities and instruments in which the Company invests and the market value of the Shares.

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 the TFG Master Fund's account. 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 the TFG Master Fund's behalf. TFG and its affiliates in the future may acquire or create additional asset managers that may engage in similar activities to those of its existing manager entities. TFG and its affiliates invest and may continue to invest in a wide array of assets and asset classes across multiple geographic areas.

The Investment Manager and its affiliates, partners, members, officers, principals and employees devote as much of their time to the activities of the Company as the Investment Manager deems necessary and appropriate. The Investment Manager and its affiliates are not restricted from forming additional investment funds, forming or sponsoring CLO or CDO (collateralized debt obligations) 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 the Company and/or may involve substantial time and resources of the Investment Manager and its affiliates. The existence of activities that compete for the time and commitment of the Investment Manager may result in the Company's investment performance being less favorable than it would have been had resources and personnel been devoted exclusively to the Company. This may have a negative impact on the results of operations of the Company and the market value of the Shares. Pursuant to the Polygon acquisition, any new Polygon businesses will be grown within and for the benefit of the Company.

#### Financing Risks

The use of leverage will expose the Company to additional levels of risk, as the use of leverage allows the Investment Manager to increase its exposure to assets, such that total assets may be greater than capital invested. The effect of the use of leverage in a portfolio may result in losses to the portfolio that exceed losses to the portfolio if such portfolio did not utilize leverage.

If the Company breaches the covenants under its financing agreements, it could be forced to sell assets at prices less than fair value.

#### **Item 9           Disciplinary Information**

There are no disciplinary events that are material to our clients' or prospective client's evaluation of our firm or of the integrity of our management.

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

TFG AM is a related person and is an investment adviser that is registered with the SEC. For further information regarding TFG AM, please refer to TFG AM's Form ADV which is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Certain inherent conflicts of interest arise from the fact TFG AM provides investment management services to, carries on investment activities for, and maintains 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 TFG may or may not have an interest and whose respective investment programs may or may not be the same or substantially similar to TFG's investment program. The Investment Manager addresses any conflicts of interest in accordance with applicable law, firm policies and procedures, and pursuant to applicable agreements with its clients.

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

## Code of Ethics

TFM'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 Investment Manager's Compliance Department at [compliance@polygoniv.com](mailto:compliance@polygoniv.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 Investment Manager'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, TFM 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 Investment Manager 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 firm 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 Investment Manager 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 Investment Manager'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 Investment Manager 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 the Investment Manager 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.

### **Item 12      Brokerage Practices**

The Investment Manager is responsible for choosing the brokers, dealers and counterparties (each, a "broker" and collectively, "brokers") used to execute securities transactions on behalf of the Investment Manager's clients, subject to the Investment Manager's obligation to obtain the best commission price and execution on any particular transaction. In selecting brokers, the Investment Manager 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 Investment Manager'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 Investment Manager in determining best execution.

The Investment Manager engages the services of certain prime brokers (collectively, the "prime brokers"). The services provided by prime brokers to the Investment Manager include custody, execution, stock borrowing, clearing, financing, settlement, banking, foreign exchange, reporting and other related services. The firm 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 Investment Manager (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 Investment Manager 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 Investment Manager's best interests to do so or it 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 Investment Manager 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, Tetragon has 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 Tetragon'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 transactions effected on a principal, cross, agency or "agency cross" basis;
- review securities regulations, or changes and amendments thereto, related to trading; and
- ensure adequate internal controls are maintained over the firm's trades and trading activities.

### *Soft Dollars*

Tetragon or our 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 firm 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 firm benefits from these arrangements because it does not have to produce or pay for the research, products or services received. Tetragon 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 firm'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 Tetragon's related persons, including in servicing other clients, and certain of such services may not be used to benefit the client. The firm follows procedures that it believes are reasonably designed to ensure that Tetragon uses soft dollars in a manner that is consistent with seeking best execution, and that it identifies which services are within or outside the safe harbor.

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

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

The investment committee is responsible for the investment management of the portfolio and the business. The investment committee currently sets forth the investment strategy and approves each significant investment by the TFG Master Fund.

The risk committee is currently responsible for the risk management of the portfolio and the business and performs active and regular oversight and risk monitoring.

TFG Master Fund's portfolio is reviewed on a regular basis by our investment and risk committee, 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 firm's 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 TFG are furnished with annual financial statements examined by independent auditors. The firm also generally furnishes such investors (via a press release) with written monthly and quarterly reports describing TFG's performance.

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

Currently there are no placement or "finders" arrangements for referrals of client funds. To the extent that any such arrangements are entered into in the future, such arrangements will be disclosed in applicable offering documents.

If engaged, 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 Investment Manager's access to client funds and authority to deduct fees and other expenses from a client's account and services by our affiliates, the firm is deemed under Rule 206(4)-2 of the Advisers Act to have custody of its clients' funds.

The firm 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 Investment Manager also ensures that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under the firm'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 Investment Manager 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. These clients receive account statements directly from their qualified custodians. The firm urges our clients to carefully review the statements they receive from their qualified custodians and compare them with the periodic reports the firm publishes.

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 firm is generally not subject to this requirement because its 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, the firm distributes audited financial statements to investors within 120 days of the end of the fiscal year.

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

The firm accepts discretionary authority to manage its client portfolios. Despite this broad authority, the Investment Manager is committed to adhering to the investment strategy, investment guidelines and other limitations of each investment program set forth in each of the offering documents or other applicable agreements. Before accepting the discretionary authority inherent in managing its clients, the Investment Manager 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 Investment Manager may be deemed to have authority to vote proxies relating to the companies in which it may invest on behalf of our clients, the firm has adopted a set of policies and procedures in compliance with such rules. To the extent that the firm exercises or are 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 the firm's clients.

From time to time, conflicts may arise between the interests of a client, on the one hand, the firm's interest (or of our affiliates), on the other hand. If the firm determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, the firm 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 Investment Manager, 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 firm's 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 the firm 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.