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Edison issues review on Tetragon Financial Group (TFG)

Tetragon Financial Group (Tetragon) published its annual results on 3 March, posting a 1.0% net asset value (NAV) per share total return (TR) in US dollar terms in FY22. In last year's adverse environment, Tetragon outperformed public equity markets (the MSCI AC World index was down 18%), despite results being below its annual target (ROE of 10-15%). It is continuing distributions to shareholders through NAV-accretive share buybacks (US\$72m in 2022) as well as cash dividends (US\$24m in 2022), with a current dividend yield of 4.3%.

TFG Asset Management was Tetragon's largest value driver in 2022 (adding 4.4pp to Tetragon's NAV development) for the sixth consecutive year and remains its largest holding, representing 48% of NAV at end-February 2023. In 2022 Tetragon's investments in CLOs and private equity (PE) also performed well (1.7pp and 1.6pp contribution to NAV, respectively), which was mostly offset by its exposure to publicly traded biotech and tech stocks. Tetragon continues the expansion of TFG Asset Management, investing in both the asset managers and the funds managed by them and, as at end-December 2022, effectively 85% of Tetragon's portfolio was either invested in or managed by TFG Asset Management. In 2022, Tetragon invested US\$383m (or 13% of opening NAV), tapping into its revolving credit facility (US\$115m drawn at end-December 2022 of US\$400m available). At end-February 2023, net gearing was 7%, while historically Tetragon has retained a significant part of its portfolio in cash.

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For more information, please contact Edison:

Milosz Papst +44 (0)20 3077 5700 investmenttrusts@edisongroup.com

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