TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 JUNE 2008 AND INTERIM REPORT

August 5, 2008

Tetragon Financial Group Limited (TFG) is a Guernsey closed-ended investment company traded on Euronext Amsterdam by NYSE Euronext under the ticker symbol "TFG".

In this quarterly update, unless otherwise stated, we report on the consolidated business incorporating TFG, Tetragon Financial Group LP and Tetragon Financial Group Master Fund Limited.(1) References to "we" are to Polygon Credit Management LP, TFG's investment manager.

Q2 2008 results at a glance:

- **Overview:** The portfolio continued to perform well in Q2 2008 with strong cash receipts underpinning stable income and earnings.

Financial Results:

- **Net Income:** Consolidated Q2 2008 net income remained stable quarter-on-quarter at $45.8 million.

- **Cash Receipts:** Cash generation on the investment portfolio in Q2 2008 of $118.0 million contributed to first half cash receipts of approximately $192.0 million. This exceeded the rate at which income was recognized on the portfolio, with the excess being accounted for as a pay-down of principal.

- **Earnings per Share:** EPS for Q2 2008 matched Q1 2008 at approximately $0.36 per share. The EPS for the first half of 2008 was approximately $0.73 per share.

- **Net Assets and NAV per Share:** Consolidated net assets continued to grow as a result of retained earnings. Net assets grew to $1.32 billion as of June 30, 2008, or $10.44 per share, up from $10.25 per share three months earlier.

- **Dividend:** On July 30, 2008 the Board of Tetragon Financial Group Limited declared a dividend of $0.15 per share in respect of Q2 2008, which will be payable on August 26, 2008. Please refer to the website (www.tetragoninv.com) for additional information regarding the dividend, including the Optional Stock Dividend Plan.

(1) TFG invests substantially all its capital through a master fund, Tetragon Financial Group Master Fund Limited ("TFGMF"), in which it holds 100% of the issued shares. Tetragon Financial Group LP (TFGLP), a U.S. "feeder fund", has previously held an interest in TFGMF and accordingly, received a pro-rata allocation of the performance of TFGMF.

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Financial Results (continued):

- **IRRs:** The weighted-average IRR ended the quarter at 16.6%, up approximately 0.6% from the end of Q1 2008 and back to the same level as at the start of the year. The increase during the second quarter reflected, among other things, the continuation of the positive impact of spread widening, our managers' ability to buy loans at a discount in the secondary market, as well as a positive LIBOR rate re-set mismatch.

- **Life-to-Date Net Loss Reserves:** (2) Excess loss reserves increased, with approximately $137.0 million of excess loss reserves having been factored into our IRR calculations as of June 30, 2008. At the end of Q1 2008, excess loss reserves were $116.0 million.

- **Leverage:** One of our objectives in 2008 has been to use excess cash to reduce the leverage of the company. Strong cash receipts enabled a further reduction in corporate leverage during Q2 2008. As of June 30, 2008, net borrowings (total borrowings less cash and amounts due from brokers) were approximately $69.0 million down from approximately $153.0 million at the end of Q1 2008.

- **Incentive Fee:** The hurdle rate for Q3 2008 has been reset at 5.4354% (Q2: 5.3316%) as per the process outlined in TFG's 2007 Audited Financial Statements and in accordance with TFG's investment management agreement. (3)

- **Corporate Structure:** As of June month-end, the TFG corporate structure was simplified as the remaining investors in TFGLP had exchanged their limited partnership interests on a one-for-one basis for shares in TFG. TFGMF is now 100% owned by TFG. We believe this change should simplify our financial reporting, increase transparency, facilitate greater liquidity in TFG shares and reduce our administrative costs.

PORTFOLIO AND MARKET COMMENTARY FOR QUARTER ENDED 30 JUNE 2008

Portfolio Summary:

- **Portfolio Size:** As of the end of Q2 2008, the investment portfolio totaled $1.36 billion, with look-through exposure to over $17.0 billion of leveraged loans. No new collateralized loan obligation ("CLO") investments were made during the quarter.

- **Portfolio Composition:** The portfolio currently consists of 61 CLO investments managed by 32 CLO managers. (4)

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(2) The life-to-date net loss reserve is transaction-specific. It is calculated by subtracting the actual collateral loss for each transaction from the expected collateral loss, where the expected loss is a function of expected collateral size, TFG's loss assumptions and the length of time the investment has been held.

(3) The hurdle rate is reset each quarter using 3M USD LIBOR plus a spread of 2.647858%. Please also refer to Note 4 in the Interim Financial Statements for a description of the incentive fee calculation methodology.

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Portfolio Summary (continued):

- **Cash Flows:** Our CLO investments returned $118.0 million of cash during the 3-months ending on June 30, 2008. We believe this strong cash-flow performance was driven by, among other things, (i) active trading and reinvestment strategies employed by many of our CLOs' investment managers to take advantage of discounted secondary loan prices, and (ii) a favorable short-term, base-rate LIBOR mismatch between many of our transactions' assets and liabilities. We believe that the par-build accomplished by our managers via discounted purchases and trading gains will continue to have a positive effect on our transactions. Furthermore, although absolute LIBOR levels remained low during Q2 2008, increasing by a modest 10 bps by the end of the quarter, many of our U.S. transactions benefited from a timing mismatch of the re-set dates on their portfolio loans and liabilities, where assets re-set at higher levels generating excess interest for the payment period.

Market Summary:

- **Market Default Rate:** Institutional loan defaults increased to 1.70% by principal amount at the end of Q2 2008 according to S&P/LCD, up from 0.24% at the end of 2007. (5) Although this level is below the historical average of 3.2% by par amount, (5) it marks a pick-up in defaults. TFG's lagging 12-month corporate loan default rate by comparison ended the quarter at 1.3%, approximately 22% below the market rate.

- **New Issue Loan Market:** Primary loan issuance remained light during Q2 2008. U.S. new issuance volumes ended the quarter at $45.0 billion, unchanged from Q1 2008 and down 76% from $187.0 billion issued during Q2 2007.(6) In Europe, Q2 2008 LBO issuance reached €20.9 billion, up from €8.7 billion during the first quarter, albeit inclusive of pre-crunch loan overhang clearance.(7) These low issuance volumes were often accompanied by wider new issue spreads and original issue discounts (OIDs), with the average 1H08 BB/BB- loan new issue institutional spread increasing to 288 bps in the U.S. and 347 bps in Europe, up from 246 bps and 275 bps during 2H07 for the U.S. and Europe.(8) Additionally, new issue transactions continued to be generally characterized by lower leverage, stronger covenant protections, and higher equity contributions in LBO transactions, all of which, in our view, continued to shift the risk/reward balance in the favor of lenders and investors.

- **CLO Issuance:** Global broadly-syndicated and middle-market CLO issuance during Q2 2008 amounted to $42.7 billion, or approximately 85% of total YTD CDO issuance.(9) These volumes represented a significant deceleration from the pace of 2007 issuance, but showed a mild improvement from the first quarter.

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(4) Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to these written-off transactions.
(5) LCD News: "Pierre Foods joins list of July Defaults" July 15, 2008.
(6) LCD News: "Q208: Starting slow, ending with whimper; volume holds at $45B," June 30, 2008.
(7) S&P's LCD European Leveraged Lending Review, Second Quarter 2008.
(8) LCD Leveraged Loan Review – US/Europe.
(9) Morgan Stanley CDO Market Update, July 10, 2008.

TETRAGON FINANCIAL GROUP LIMITED (TFG)

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Market Summary (continued):

- **Secondary Loan Market:** During Q2 2008 the S&P/LSTA Index returned 4.94%, which according to S&P was the highest quarterly return on record.(10) The average spread yield for liquid, flow-name composite credits stood at approximately 408 bps for U.S. credits and 412 bps for European credits at the end of Q2 2008, corresponding to average bid prices of 89.8 and 91.7 respectively.(11) We believe that the opportunity for our managers to selectively swap out of current assets and reinvest prepayment proceeds at discounted prices and higher effective yields may serve as a cushion against credit losses in the event of a further pick-up in defaults, and may be particularly effective given our relatively low weighted-average funding cost (approximately L + 50 bps) and cushion in our investments' minimum average spread tests.

TFG Outlook:

- **Credit Quality:** We continue to scrutinize the credit quality of our underling loan exposures. On a portfolio-wide basis our actual, annualized default rate continues to track below our modeled projections. Our managers remain vigilant in mitigating our transactions' exposure to assets rated Caa1/CCC+ (or below). We believe that these efforts have become more relevant in the context of current rating agency conservatism and the interest-diversion and de-leveraging effects excess CCC exposure may have on CLO structures. Finally, in addition to individual credit selection, we believe our managers have endeavored to position the portfolios defensively from a sector perspective by reducing exposure to highly cyclical industries or industries with significant direct consumer exposure.

- **Active Management:** Although the loan market faces a challenging economic and credit environment, we anticipate that active CLO portfolio management will be critical to our transactions' performance. While we remain cautious about corporate credit we believe that purchases of discounted loans in the secondary market as well as the ability of lenders to extract spread increases and/or amendment fees in the event of covenant breaches, should serve as useful risk mitigation factors.

- **Future Investments:** We remain committed investors in the senior secured asset class and seek to put our capital to work with managers we view as capable of out-performing the market and within structures we view as appropriate for the asset class. We continue to evaluate potential investment opportunities and expect to begin making select investments in senior secured loan structures over the coming quarters.

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(10) LCD News: "Loan Returns: A Dismal Finish to a Record Quarter, "July 2, 2008.
(11) LCD Leveraged Loan Review – US/Europe Q2 2008.

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Quarterly Investor Call

We will host a conference call for investors on Tuesday, August 5, 2008 at 15:00 BST/16:00 CET/10:00 EDT to discuss Q2 2008 results and to provide a company update.

The conference call may be accessed by dialing +44 (0) 20 7162 0025 and +1 877 491 6201 (a passcode is not required). Participants may also register for the conference call in advance by going to https://eventreg1.conferencing.com/webportal3/reg.html?Acc=234304&Conf=158509 or by going to the TFG website, www.tetragoninv.com.

A replay of the call will be available for 31 days by dialing +44 (0)20 7031 4064 and +1 954 334 0342, access code 801757 and as an MP3 recording on the TFG website.

For further information, please contact:

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+44 20 7251 3801

Expected Upcoming Events	Date
Q2 Ex-Dividend Date	August 1, 2008
Q2 Financial Results and Interim Financial Statements	August 5, 2008
Quarterly Investor Call: 15:00 BST/16:00 CET/10:00 EDT	August 5, 2008
Q2 Dividend Record Date	August 5, 2008
July 2008 Monthly Performance Report	August 18, 2008 (approx)
Q2 Dividend Payment Date	August 26, 2008
Lehman Brothers Financial Services Conference (New York)	September 8 -10, 2008
Keefe, Bruyette & Woods European Financials Conference (London)	September 16 -17, 2008

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PERFORMANCE REPORT FOR QUARTER ENDED 30 JUNE 2008 AND INTERIM REPORT

TETRAGON FINANCIAL GROUP

Performance Metrics and Drivers

Performance Metrics	Q3 2007	Q4 2007	Q1 2008	Q2 2008
EPS ($)	$0.37	($0.11)	$0.36	$0.36
DPS ($)	$0.15	$0.15	$0.15	$0.15
Operating cost - income ratio	30.6%	19.2% (1)	26.3%	28.3%
Performance Drivers	**Q3 2007**	**Q4 2007**	**Q1 2008**	**Q2 2008**
Number of investments	67	61 (2)	61 (2)	61 (2)
Weighted Average IRR on completed transactions	16.4%	16.6%	16.0%	16.6%
Leverage at end of period	1.13	1.11	1.09	1.03
Net assets ($M)	$1,294	$1,264	$1,289	$1,319
Number of shares outstanding (million)	125.8	126.1	125.7	126.3
Net excess life-to-date loss accruals ($M) (3)	(89)	(106)	(116)	(137)

(1) Operating cost-Income ratio for Q4 excludes the writedown in the calculation

(2) Excludes CDO-squared and ABS CDO transactions written off in October 2007. TFG continues to hold the economic rights to these written-off transactions.

(3) Net excess life-to-date loss accrual is deal specific. It subtracts the actual collateral loss from the expected loss, where the expected loss is a function of expected collateral size, TFG's loss assumption and length of time the investment has been held.

TETRAGON FINANCIAL GROUP

Consolidated Performance (US$MM)

Statement of Operations	Q3 2007 ($MM)	Q4 2007 ($MM)	Q1 2008 ($MM)	Q2 2008 ($MM)
Interest Income from Investments	58.5	56.7	55.9	54.6
Interest Income from Cash	3.2	2.9	2.1	1.1
Investment Income	**61.7**	**59.6**	**58.0**	**55.7**
Management Fees	(4.8)	(4.7)	(4.8)	(4.8)
Admin/ Custody and Other Fees	(0.7)	(1.0)	(0.6)	(0.5)
Interest Expense	(6.3)	(6.5)	(5.2)	(3.6)
Total Operating Expenses Excluding Performance Fee	**(11.8)**	**(12.2)**	**(10.6)**	**(8.9)**
Net Investment Income	**49.9**	**47.4**	**47.4**	**46.8**
Realised and Unrealised Gains/(Losses) From Hedging	3.9	5.1	9.5	(1.1)
Net Increase/(Decrease) in Unrealised Appreciation/(Depreciation) in Investments	(0.9)	3.6	(9.0)	9.7
Net Realised Gain/(Loss) on Investments	0.0	(69.9)	0.4	0.0
Net Realised and Unrealised Gains/(Losses) from Investments and FX	**3.0**	**(61.2)**	**0.9**	**8.6**
Net Increase/(Decrease) in Net Assets From Operation Before Performance Fees	**52.9**	**(13.8)**	**48.3**	**55.4**
Performance Fees	(6.8)	-	(2.4)	(9.6)
Net Increase/(Decrease) in Net Assets from Operations	**46.1**	**(13.8)**	**45.9**	**45.8**

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 JUNE 2008 AND INTERIM REPORT

Share Holding at June 30, 2008	Number of shares (millions)	% Holding of Tetragon Financial Group Master Fund
Tetragon Financial Group Limited ("TFG") - listed shares	126.31	100.0%
TOTAL SHARES AND CONVERSTION RIGHTS	**126.31**	**100.0%**

TETRAGON FINANCIAL GROUP

Unaudited Balance Sheet as at 30 June 2008 ($)

	TFG Master Fund	TFG	TFGLP	TFG Total
Assets				
Investments in securities, at fair value	1,393.1			1,393.1
Cash and cash equivalents	186.0			186.0
Amounts due from brokers	56.8			56.8
Derivative Financial Assets - Credit Default Swaps	10.9			10.9
Other receivables	0.3			0.3
Total Assets	**1,647.1**			**1,647.1**
Liabilities				
Payables under repurchase and swap agreements	301.0			301.0
Unrealised loss on forward contracts	3.8			3.8
Amounts payable to feeder fund	0.2			0.2
Bank Overdraft	11.2			11.2
Interest payable	2.0			2.0
Other payables and accrued expenses	0.2	9.3	0.3	9.8
Total Liabilities	**318.4**	**9.3**	**0.3**	**328.0**
Net Assets	**1,328.7**	**(9.3)**	**(0.3)**	**1,319.1**

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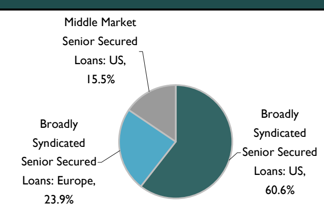
TETRAGON FINANCIAL GROUP LIMITED (TFG)

PORTFOLIO COMPOSITION
PORTFOLIO HELD BY TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
(UNLESS OTHERWISE STATED)
AS OF JUNE 30, 2008

Report Date	TFG Share Price ($)	TFG group Market Cap ($MM)	TFG group Net Assets ($MM)	No. of Closed CLO Transactions
30 June 2008	$4.75	$605.3	$1,319.1	61[1]

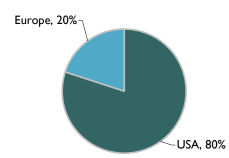
Capital Allocation by Asset Class	Risk Capital Allocation	Investment - Amortized Cost ($MM)[2]	Investment - Amortized Cost B/Fwd ($MM)[3]	Overall Leverage[4]
Broadly Syndicated Senior Secured Loans: US	60.6%	$844.6	$828.0	
Broadly Syndicated Senior Secured Loans: Europe	23.9%	$332.6	$321.0	
Middle Market Senior Secured Loans: US	15.5%	$215.9	$209.3	
CDOs Squared: US	0.0%	$0.0	$0.0	
ABS and Structured Finance: US	0.0%	$0.0	$0.0	
Total	100.0%	$1,393.1	$1,358.3	1.03

Asset Class Allocation



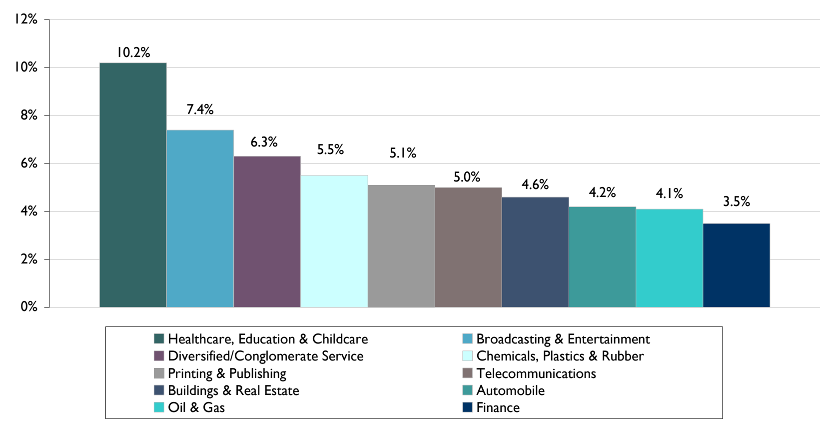
Geographic Allocation by Asset Class	USA	Europe	Asia Pacific	Total
Broadly Syndicated Senior Secured Loans	72%	28%	0%	100%
Middle Market Senior Secured Loans	100%	0%	0%	100%
CDOs Squared	0%	0%	0%	0%
ABS and Structured Finance	0%	0%	0%	0%
	80%	20%	0%	100%

Geographic Allocation



Top 15 Underlying Bank Loan Credits	Bank Loan Exposure [5]
Univision Communications	0.75%
Idearc	0.74%
Community Health	0.70%
HCA Inc	0.67%
Georgia Pacific Corp	0.56%
Cablevision Systems Corp	0.56%
OshKosh Truck	0.50%
Aramark Corp	0.44%
SunGard Data Systems Inc	0.43%
Nielsen Company	0.42%
Sabre Holdings Corp	0.39%
Freescale Semiconductor Inc	0.38%
Clarke American	0.37%
Metro-Goldwyn-Mayer Inc	0.36%
West Corp	0.35%

Top 10 Bank Loan Industry Exposures

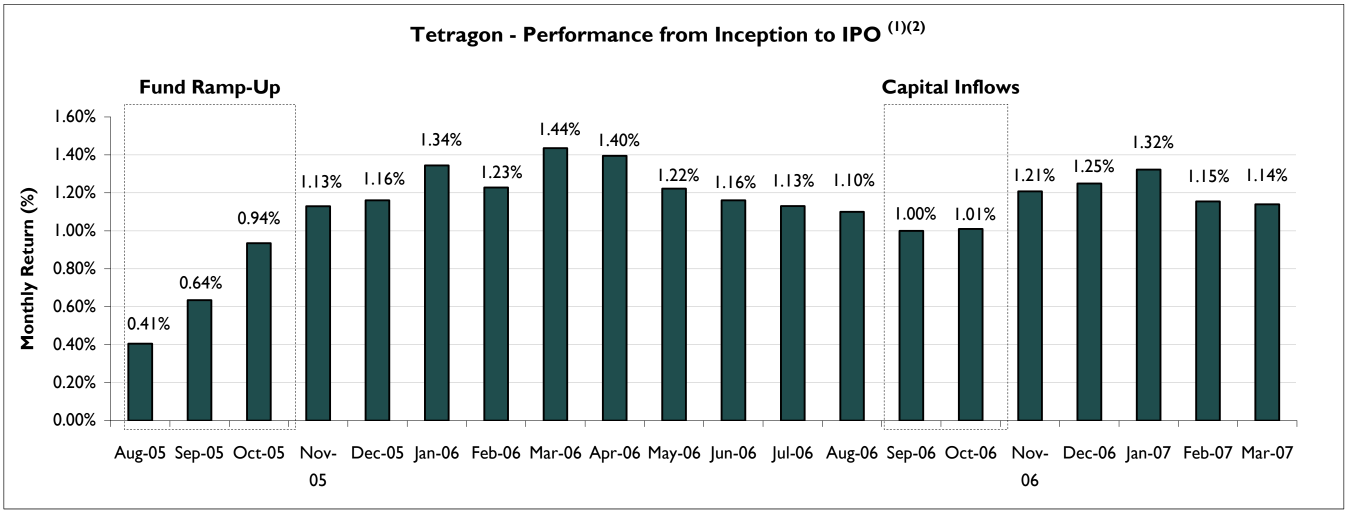


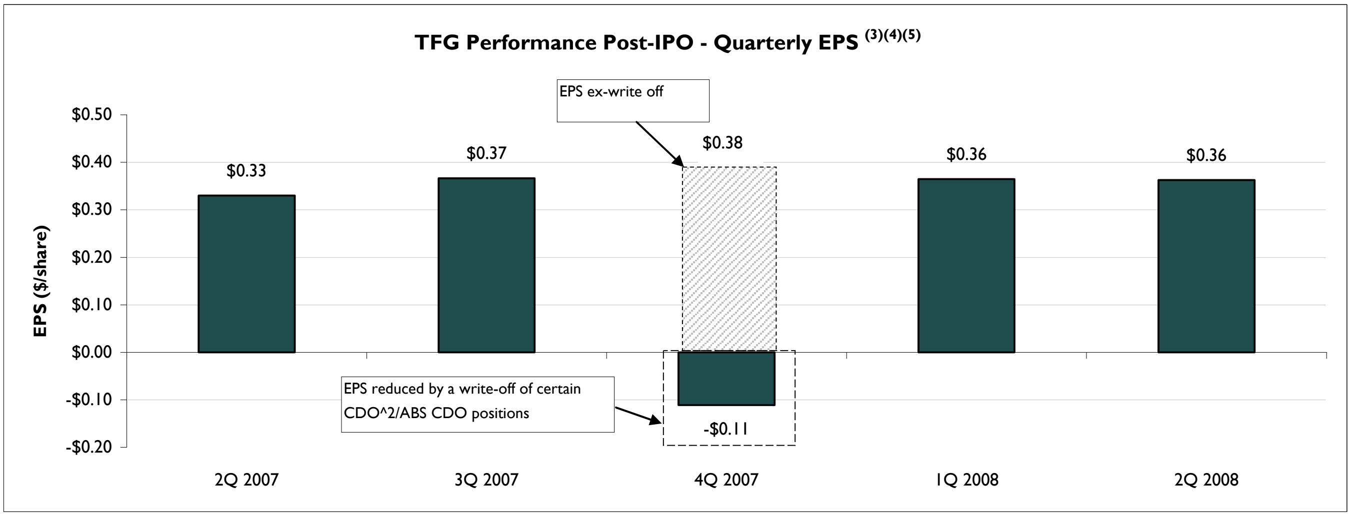
EUR-USD FX: 1.57

(1) Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to these written-off transactions.
(2) Equivalent to Investment in Securities at Fair Value in the US GAAP Financial Statements.
(3) Investments at Amortized Cost less interest accrued since last payment date. Internal Rate of Return (IRR) x Amortized Cost B/Fwd determines CDO income.
(4) Equals CDO Amortized Cost BFwd / Book Value.
(5) Calculated as a percentage of total corporate loan assets that TFG has exposure to based on its equity-based pro-rata share of each CLO's total portfolio (net of any single name CDS hedges held against that credit).

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE SUMMAR Y AS OF JUNE 30, 2008





Notes:

(1) August 2005 - June 2006 performance reflects illustrative performance using Class A share performance and adjusting to reflect Class C levels of management and incentive fees.

(2) July 2006 - March 2007 performance reflects actual per share performance for Class C Shares (1.5% management fee, 25% incentive fee over a hurdle rate of 8%).

(3) April 2007 reflects Earnings per Share (EPS) based on average shares in issue in the month, after translating pre-IPO shares into post-IPO equivalents.

(4) May 2007 onwards reflects EPS based on post-IPO shares only.

(5) Pre-IPO TFG was a non-distributive open-ended unlisted entity, where investors subscribed for and redeemed shares at NAV. Under these conditions it is common practice to measure performance as a percentage return to NAV. Post-IPO, in line with market practice, earnings per share (EPS) is a more appropriate measure of performance.

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

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

TETRAGON

BOARD OF DIRECTORS

Paddy Dear
Rupert Dorey*
Reade Griffith
David Jeffreys*
Byron Knief*
Lee Olesky*
David Wishnow

***Independent Director**

SHAREHOLDER INFORMATION

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UNAUDITED INTERIM REPORT

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 JUNE 2008

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED INTERIM REPORT
FOR THE PERIOD ENDED 30 JUNE 2008

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TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2008 (unaudited)

	Note	30 Jun 2008 US$	31 Dec 2007 US$
Assets			
Investment in Master Fund	3	1,328,688,561	1,188,220,992
Amounts receivable from Master Fund		166,499	416,429
Total assets		1,328,855,060	1,188,637,421
Liabilities			
Amount payable to U.S. Feeder		272,898	-
Accrued incentive fee	4	9,365,245	-
Amounts payable on treasury shares	6	166,499	416,429
Total liabilities		9,804,642	416,429
Net assets		1,319,050,418	1,188,220,992
Equity			
Share capital	6	126,306	118,455
Share premium	7	1,183,100,280	1,104,465,395
Capital reserve in respect of share options	8	11,789,336	11,789,336
Earnings	11	124,034,496	71,847,806
		1,319,050,418	1,188,220,992
Shares outstanding		Number	Number
Participating shares	6	126,306,011	118,455,430
Net asset value per share			
Participating shares		US$10.44	US$10.03

The accompanying notes are an integral part of the financial statements.

On behalf of the Board of Directors:

Rupert Dorey David Jeffreys

30 July 2008

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS
For the period ended 30 June 2008 (unaudited)

	Note	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2007 US$
Direct investment income			
Interest income		-	1,366
Direct investment income		-	1,366
Investment income allocated from the Master Fund			
Interest income		108,215,764	73,528,353
Investment income allocated from the Master Fund		108,215,764	73,528,353
Total investment income		108,215,764	73,529,719
Direct expenses			
Management fees	8	-	(4,046,952)
Incentive fee	4	(11,600,622)	(9,743,470)
Custodian fees		-	(38,878)
Audit fees		-	(7,093)
Directors' fees	8	-	(19,552)
Other operating expenses	5	-	(7,201)
Direct expenses		(11,600,622)	(13,863,146)
Operating expenses allocated from the Master Fund			
Management fees		(9,149,420)	(2,674,281)
Administration fees		(318,073)	(226,178)
Custodian fees		-	(1,783)
Legal and professional fees		(300,560)	(43,799)
Audit fees		(146,241)	(78,752)
Directors' fees	8	(95,175)	(48,890)
Transfer agent fees		(76,091)	-
Other operating expenses	5	(268,755)	(23,986)
Interest expense		(8,371,011)	(6,882,026)
Operating expenses allocated from the Master Fund		(18,725,326)	(9,979,695)
Total operating expenses		(30,325,948)	(23,842,841)
Net investment income		77,889,816	49,686,878

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the period ended 30 June 2008 (unaudited)

	Note	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2007 US$
Net realized and unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund			
Net realized gain / (loss) from:			
Investments		303,684	654,789
Foreign currency transactions		(20,514,655)	(5,388,085)
Credit default swaps		5,231,564	(648,554)
		(14,979,407)	(5,381,850)
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		1,158,873	828,695
Forward foreign exchange contracts		(1,877,880)	912,794
Credit default swaps		1,324,415	493,977
Translation of assets and liabilities in foreign currencies		24,096,170	5,374,364
		24,701,578	7,609,830
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		9,722,171	2,227,980
Net increase in net assets resulting from operations		87,611,987	51,914,858
Earnings per Share			
Basic	10	US$0.73	US$0.24
Diluted	10	US$0.73	US$0.24
Weighted average Shares outstanding		**Number**	**Number**
Basic	10	119,615,666	104,641,245
Diluted	10	119,615,666	104,641,245

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2008 (unaudited)

	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2007 US$
Total investment income	108,215,764	73,529,719
Total operating expenses	(30,325,948)	(23,842,841)
Net realized (loss) from investments and foreign currencies allocated from the Master Fund	(14,979,407)	(5,381,850)
Net unrealized gain from investments and foreign currencies allocated from the Master Fund	24,701,578	7,609,830
Net increase in net assets resulting from operations	87,611,987	51,914,858
Dividends declared to shareholders	(35,425,297)	-
Issue of redeemable preference shares during the period	-	331,904,271
Issue of shares through global offering	-	300,000,000
Issue of shares*	83,530,113	-
Redemptions of redeemable preference shares	-	(90,204,825)
Treasury shares	(4,887,377)	-
Global offering costs	-	(15,476,822)
Increase in net assets resulting from net share transactions	78,642,736	526,222,624
Total increase in net assets	130,829,426	578,137,482
Net assets at start of year	1,188,220,992	476,959,524
Net assets at end of period	1,319,050,418	1,055,097,006

*Issue of shares include Shares issued under the Exchange Agreement and the Dividend Reinvestment Plan as detailed in Note 6.

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS
For the period ended 30 June 2008 (unaudited)

	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2007 US$
Operating and investing activities		
Net increase in net assets resulting from operations	87,611,987	51,914,858
Adjustments for:		
Net unrealized appreciation on investments in Master Fund	(61,864,822)	(50,299,816)
Operating cash flows before movements in working capital	25,747,165	1,615,042
Decrease in receivables	249,930	-
Increase/(decrease) in accrued expenses	9,388,213	(1,989,152)
Cash flows from operations	35,385,308	(374,110)
Net purchase of investments*	-	(518,269,512)
Cash inflows/(outflows) from operating and investing activities	35,385,308	(518,643,622)
Financing activities		
Issue of redeemable preference shares during the period	-	331,904,271
Issue of shares	-	300,000,000
Redemptions of redeemable preference shares	-	(90,204,825)
Treasury shares	(4,887,377)	-
(Decrease) in equalization credit payable	-	(7,579,271)
Global offering costs	-	(15,476,822)
Dividends paid to shareholders	(30,497,931)	-
Cash inflows/(outflows) from financing activities	(35,385,308)	518,643,353
Net (decrease) / increase in cash and cash equivalents	-	(269)
Cash and cash equivalents at beginning of year	-	269
Cash and cash equivalents at end of period	-	-

* Additional Master Fund shares received through the Exchange Agreement are non cash transactions.

The accompanying notes are an integral part of the financial statements.

Note 1 General Information

Tetragon Financial Group Limited (the "Company") was registered in Guernsey on 23 June 2005 as a company limited by shares under the provisions of The Companies (Guernsey) Law, 1994, as amended, with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder").

The registered office of the Company is Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 3BG.

The Company acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund").

The Company's investment objective is to generate distributable income and capital appreciation by investing substantially all of its assets in the Master Fund. To achieve this investment objective, and to aim to provide stable returns to investors across various interest rate and credit cycles, the Master Fund's Investment Manager seeks to identify 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 the market experience of the Investment Manger to negotiate favorable transaction terms for vehicles in which the Master Fund invests. As part of this current investment strategy, the Master Fund employs hedging strategies and moderate leverage in seeking to provide attractive returns from the portfolio while managing risk

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

The Company's investment in the Master Fund is valued based on the accounting net asset value per share obtained from the Master Fund's administrator, which is the Company's proportionate interest in the net assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund. The Company's Statements of Operations includes its pro-rata share of each type of gain, loss, income and expense of the Master Fund's Statements of Operations. Attached are the unaudited financial statements of the Master Fund, which are an integral part of these financial statements. As at 30 June 2008, the Company had 100% (2007: 94%) ownership interest in the Master Fund.

For financial statement reporting purposes, Tetragon Financial Group Fund Limited is an investment company and follows the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies (the "Guide").

Note 2 Significant Accounting Policies (continued)

Basis of Presentation (continued)

The accounting policies have been consistently applied by the Company during the period ended 30 June 2008 and are consistent with those used in the previous period. The financial statements are presented in United States Dollars.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Company's management believes that the estimates utilized in preparing the financial statements are reasonable and prudent; however, actual results could differ materially from these estimates.

Valuation of Investments

The value of the investment in the Master Fund is based on the accounting net asset value per share obtained from the Master Fund's administrator.

Expenses

Expenses, including management fees, incentive fees, administration fees and prime broker fees, are recognized in the Statements of Operations on an accrual basis.

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP600 per annum.

Capital expenses

The preliminary expenses of the Company directly attributable to the global offering are charged to the share premium account and include payments made to regulatory bodies and exchanges.

Share options granted to the Investment Manager are treated as a capital expense on the basis that they are granted by the Company as a fee for the Investment Manager's work in successfully arranging the global offering and the associated issuance of new capital for the Company. The fair value of such options is charged to the share premium account. The share premium account is credited with the fair value of such options at the time that such options are vested.

Note 2 Significant Accounting Policies (continued)

Share Options

The fair value of options granted to the investment manager is recognised as a charge to the share premium account, with a corresponding increase in equity, over the period in which the investment manager becomes unconditionally entitled to the options. The options were fully vested and immediately exercisable from the date of the grant and will remain exercisable until the tenth anniversary of admission and listing.

Dividends payable

Dividends payable on shares are recognised in the Statements of Changes in Net Assets.

Treasury shares

When share capital recognised as equity is repurchased the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Note 3 Investment in Master Fund

The Master Fund at the period end held investments in securities, at fair value, cash and cash equivalents, forward contracts, credit default swaps, repurchase / swap agreements and other receivables and payables. As at 30 June 2008 the Company had an investment of US$1,328,688,561 (31 December 2007: US$1,188,220,992) in the Master Fund with a cost of US$1,259,224,833 (2007: US$1,113,464,521).

Note 4 Incentive fee

Following the global offering, the Company pays the Investment Manager an incentive fee for each Calculation Period (a period of three months ending on 31 March, 30 June, 30 September and 31 December in each year) equal to 25% of the increase in the Net Asset Value of the Company during the Calculation Period (before deduction of any dividend paid during such Calculation Period) above the Reference Net Asset Value (as defined below) plus a Hurdle.

Note 4 Incentive fee (continued)

The Hurdle for calculation periods ending prior to 25 April 2008 equalled (i) the Reference NAV multiplied by (ii) the Hurdle Rate, where the Hurdle Rate is equal to 8% per annum multiplied by the actual number of days in the calculation period divided by 365. Subsequently the Hurdle Rate is determined by 3-month USD 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%.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 purpose of determining Reference NAV at the end of a Calculation Period, NAV shall be adjusted by amount of accrued dividends, incentive fees to be paid and other relevant capital adjustments with respect to that calculation period.

The Incentive Fee in respect of each Calculation Period is calculated by reference to the Net Asset Value before deduction of any accrued Incentive Fee. 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.

The Incentive Fee for the period ended 30 June 2008 was US$11,600,622 (30 June 2007: US$9,743,470). As at 30 June 2008 US$9,365,245 was outstanding (31 December 2007: US$nil).

Note 5 Other operating expenses

Other operating expenses include certain regulatory and marketing payments.

Note 6 Share Capital

On 22 March 2007 the shareholders of the Company passed a resolution amending its articles of association to modify, among other things, its capital structure. Prior to this resolution the Fund had an authorized share capital of US$50,000 divided into 10 Founder Shares, par value US$0.001 per share and 49,999,990 unclassified shares, par value US$0.001 per share. Unclassified shares were available for issue either as Class A, Class B, Class C or Nominal Shares.

10 Founder Shares in issue were issued at par and were beneficially owned by the Principal Manager. The issued Class A, Class B and Class C (redeemable preference shares) shares were equal to the net assets of the Company, when it was an open ended investment company.

Note 6 Share Capital (continued)

Authorized

The Company has an authorized share capital of $1,000,000 divided into 10 Voting Shares, having a par value of $0.001 each and 999,999,990 non-voting shares (which are the "Shares" referred to herein), having a par value of $0.001 each. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares. Shares are only transferable pursuant to regulations that the Directors may adopt in their discretion.

Voting Shares

The 10 Voting Shares in issue were issued at par and are owned by Polygon Credit Holdings II Limited (the "Voting Shareholder"), which is a non-U.S. affiliate of the Investment Manager. The Voting Shares are the only shares of the Company entitled to vote for the election of Directors and on all other matters put to a vote of Shareholders, subject to the limited rights of the Shares described below. The Voting Shares are not entitled to receive dividends.

Shares

The Shares are not entitled to vote on any matter. The Shares carry a right to any dividends or other distributions declared by the Company.

The Directors, upon the recommendation of the Investment Manager and with prior approval of a resolution of Voting Shares, may allot, issue or otherwise dispose of Shares to such persons, at such times, for such consideration and on such terms and conditions as they deem necessary or desirable. There are no pre-emption rights attaching to any Shares. The Directors, upon the recommendation of the Investment Manager, may grant options over the Shares. The Company may repurchase Shares and hold Shares as Treasury Shares.

Share transactions

	Voting Shares No.
At start of year	10
Issued	-
Redeemed	-
Shares in issue at 30 June 2008	10

Note 6 Share Capital (continued)

	Class A No.	Class B No.	Class C No.	Shares No.	Shares US$
Shares in issue at 31 December 2006	3,501,653.628	10,473.349	522,374.326	-	-
Issued	1,905,763.232	21,872.856	628,582.164	44,126,080	44,126
Redeemed	(551,737.267)	-	-	-	-
Treasury shares	-	-	-	(311,895)	(312)
Converted	(4,855,679.593)	(32,346.205)	(1,150,956.490)	74,641,245	74,641
Shares in issue at 31 December 2007	-	-	-	118,455,430	118,455
Issued				8,669,081	8,669
Treasury Shares				(818,500)	(818)
Shares in issue at 30 June 2008				126,306,011	126,306

Exchange Agreement

On 26 April 2007 the Company entered into an irrevocable Exchange Agreement with Tetragon Financial Group LP (the "US Feeder"). The Exchange Agreement provided that at the request of a holder of interests in the US Feeder ("Partner"), the Company would acquire the US Feeder's associated holding of Master Fund units in exchange for its non-voting shares or cash equal to the fair value on the date of request. By 30 June 2008 all Partners in the U.S. Feeder had carried out the exchange resulting in nil conversion rights outstanding at that date.

Dividend Reinvestment

The Company has a dividend reinvestment plan which offers investors an opportunity to purchase additional shares at a reference price determined by calculating the five-day weighted average price post ex-div date.

During the period a total dividend of US $35,425,297 was declared, of which US$32,329,192 was paid out as a cash dividend, and the remaining US $3,096,105 reinvested under the Company Dividend Reinvestment Plan.

Note 6 Share Capital (continued)

Treasury Shares

On 30 November 2007, the Company announced the implementation of a share repurchase program of up to 5% of its outstanding non-voting shares over the following 12 months. The Company will purchase its shares in the open market which will then be held in a Treasury Account allowing them to be resold in the market at a later date. Whilst they are held in the Treasury Account the shares are neither eligible to receive dividends nor are they included in the shares outstanding on the Statements of Assets and Liabilities.

Note 7 Share Premium

	30 Jun 2008 US$	31 Dec 2007 US$
Balance at start of year	1,104,465,395	452,612,694
Premium arising from net issue of Shares	78,634,885	668,343,266
Expenses of issue of Shares	-	(16,490,565)
Balance at end of period/year	1,183,100,280	1,104,465,395

Note 8 Related party transactions

The Company has appointed Polygon Credit Management LP, a Delaware limited partnership (the "Investment Manager"), to manage the Company's investment programmes. The investment activities of the Investment Manager are subject to the overall supervision, control and policies of the Directors.

For the period to 25 April 2007 the management fee was charged directly to the Company. The Principal Manager was entitled to receive management fees equal to (i) two percent (2%) per annum of the Net Asset Value per Class A and Class B Share and (ii) one and one-half percent (1.5%) per annum of the Net Asset Value per Class C Share, in each case calculated on a Share-by-Share basis and payable monthly in advance prior to the deduction of any accrued incentive fees applicable to such Class. After the closing of the global offering on 25 April 2007, the Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company.

The management fee is charged to the Master Fund and allocated pro rata between the Company and the U.S. Feeder, based on the Company's and the U.S. Feeder's ownership of the Master Fund.

For the period to 25 April 2007 expenses which relate wholly and specifically to the individual Feeders were charged to the Feeder to which they relate. These include custodian, directors', audit, and other legal and regulatory fees.

Note 8 Related party transactions (continued)

After the closing of the global offering, all fees and expenses of the Company, except for the incentive fees for the Investment Manager, are paid by the Master Fund and allocated pro rata between the Company and the U.S. Feeder, based on the Company's and the U.S. Feeder's percentage ownership of the Master Fund, including management fees and administration fees of each of the Company and the U.S. Feeder. An incentive fee may be paid to the Investment Manager as disclosed in Note 4.

The Company invests substantially all of its assets in Tetragon Financial Group Master Fund Limited, a Guernsey based closed-ended investment company which has the same Investment Manager as the Company.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Initially, the Directors' annual fee shall be $50,000, in compensation for service on the Boards of Directors of both the Company and the Master Fund. The Master Fund will pay the Directors' fees. The Polygon Directors have waived their entitlement to a fee. The Directors are entitled to be repaid by the Company all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

Polygon Credit Holdings II Limited (the "Voting Shareholder") is an affiliate of Polygon and the Investment Manager and holds all of the Voting Shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Company's Directors. Affiliates of Polygon also control the Investment Manager and, accordingly, control the Company's business and affairs.

In recognition of the work performed by the Investment Manager in successfully arranging the global offering and the associated raising of new capital for the Company, the Company granted to Polygon Credit Management L.P. options to purchase 12,545,330 of the Company's non-voting shares at an exercise price per share equal to the Offer Price (US$10). The Investment Management Options are fully vested and immediately exercisable on the date of admission to the Euronext Amsterdam stock exchange and will remain exercisable until the 10th anniversary of that date. The aggregate fair value of the options granted at the time of the global offering was US$11,789,336. The fair value of each options granted during 2007 was US$0.94 on the date of grant using the Binomial-pricing model with the following average assumptions: expected dividend yield 8%, risk-free interest rate of 5.306%, an expected life of 5 years and a volatility of 17.5%.

David Wishnow, Lee Olesky, Byron Knief, Paddy Dear and Reade Griffith, all Directors of the Company and Master Fund, were shareholders in the Company as at 30 June 2008, with holding of 261,170, 52,067, 91,000, 269,325 and 1,036,209 shares, respectively.

Note 9 Dividends

	30 Jun 2008 US$	31 Dec 2007 US$
Dividend for the period ended 30 June 2007 of US$0.15 per share	-	15,696,187
Dividend for the quarter ended 30 September 2007 of US$0.15 per share	-	17,726,762
Dividend for the quarter ended 31December 2007 of US$0.15 per share	17,768,315	-
Dividend for the quarter ended 31 March 2008 of US$0.15 per share	17,656,982	-
	35,425,297	33,422,949

The second quarter dividend of $0.15 cents was proposed by directors on 30 July 2008 and has not been included as a liability in these financial statements.

Note 10 Earnings per share

	30 Jun 2008 US$	30 Jun 2007 US$
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the period	87,611,987	25,045,944*
Weighted average number of Shares for the purposes of basic earnings per share	119,615,666	104,641,245
Effect of dilutive potential Shares:		
Share options	-	-
Weighted average number of Shares for the purposes of diluted earnings per share	119,615,666	104,641,245

* From the closing of the global offering on 25 April 2007 to 30 June 2007.

Note 11 Earnings

	30 Jun 2008 US$	31 Dec 2007 US$
Balance at start of year	71,847,806	24,342,795
Net increase in net assets resulting from operations for the period	87,611,987	80,927,960
Dividends paid	(35,425,297)	(33,422,949)
Balance at end of period/year	124,034,496	71,847,806

Note 12 Subsequent events

As of 1 July 2008 State Street Fund Services (Guernsey) Limited replaced Kleinwort Benson (Channel Islands) Fund Services as Administrator and Registrar of the Company. Investor Fund Services (Ireland), now a State Street company, will continue to perform the services that they have provided since the Company's inception as governed by the sub-administration agreement.

Note 13 Recent changes to US GAAP

In February 2008, the FASB Staff Position indefinitely delayed the effective date of SOP 71, which defines "Investment Company" for purposes of applying the industry-specific accounting in an AICPA guide. Companies that adopted SOP 71 prior to its effective date (December 15, 2007) may continue to apply it or rescind their adoption. Companies that did not adopt SOP 71 before December 15, 2007 may not do so. However, a subsidiary formed or acquired after the parent's adoption of the SOP must apply the SOP in its standalone financial statements if the parent company chooses not to rescind its early adoption. Companies that choose to rescind their adoption of the SOP must account for the change retrospectively in accordance with Statement 154. The Company did not early adopt SOP 71 so their will be no impact to the Company's financial statements.

Note 14 Approval of financial statements

The Directors approved the financial statements on 30 July 2008.

TETRAGON FINANCIAL GROUP LIMITED

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2008 (unaudited)

The following represents selected per share operating performance of the Company, ratios to average net assets and total return information for the period ended 30 June 2008.

30 June 2008	**Shares**
	US$
Per share operating performance	
Net asset value at start of year	10.03
Net investment income (excl performance fee)	0.71
Performance fee	(0.10)
Net realized and unrealized gain from investments in foreign currencies	0.08
Dividends paid to shareholders	(0.28)
Net asset value at the end of the period	10.44
Total return before performance fee	5.02%
Performance fee	(0.91%)
Total return after performance fee	4.11%
Ratios and supplemental data	
Ratio to average net assets:	
Direct operating expenses (see Note 5)	0.95%
Operating expenses allocated from the Master Fund (see Note 8)	1.52%
Total operating expenses	2.47%
Performance fee	0.95%
Net investment income	6.36%

An individual shareholder's per share operating performance and ratios may vary from the above based on the timing of capital transactions.

FINANCIAL HIGHLIGHTS (continued)
For the period ended 31 December 2007 (unaudited)

The following represents selected per share operating performance of the Company, ratios to average net assets and total return information for the year ended 31 December 2007.

31 December 2007	Shares*	Class A**	Class B**	Class C**
	US$	US$	US$	US$
Per share operating performance				
Net asset value at start of year / initial issue date	9.84	117.84	122.53	120.67
Net investment income (excl performance fee)	1.00	6.23	6.53	6.81
Performance fee	(0.09)	(1.17)	-	(1.00)
Net realized and unrealized gain / (loss) from investments and foreign currencies	(0.41)	(0.18)	(0.22)	(0.22)
Dividends paid to shareholders	(0.31)	-	-	-
Net asset value at the end of the period	10.03	122.72	128.84	126.26
Total return before performance fee	2.88%	5.12%	5.15%	5.46%
Performance fee	(0.94%)	(0.98%)	-	(0.83%)
Total return after performance fee	1.94%	4.14%	5.15%	4.63%
Ratios and supplemental data				
Ratio to average net assets:				
Direct operating expenses (see Note 5)	-	(0.64%)	(0.64%)	(0.48%)
Operating expenses allocated from the Master Fund (see Note 8)	(2.27%)	(0.66%)	(0.58%)	(0.55%)
Total operating expenses	(2.27%)	(1.30%)	(1.22%)	(1.03%)
Performance fee	(0.88%)	(0.97%)	-	(0.64%)
Net investment income	8.70%	4.26%	4.52%	3.73%

An individual shareholder's per share operating performance and ratios may vary from the above based on the timing of capital transactions.

* This share class came into existence as a result of the global offering. The performance shown is for the period from 26 April 2007 to 31 December 2007.

** Class A, Class B and Class C shares were converted into Shares at the date of the global offering. The performance shown is for the period from 1 January 2007 to 25 April 2007.

TETRAGON FINANCIAL GROUP LIMITED

SCHEDULE OF INVESTMENTS
as at 30 June 2008 (unaudited)

Security Description	Nominal /Shares	Cost US$	Fair Value US$	% of Net Assets
Investment Funds - Guernsey				
Tetragon Financial Group Master Fund Limited – shares	126,306,011	1,259,224,833	1,328,688,561	100.91%
Total Investments			1,328,688,561	100.91%
Other Assets and Liabilities			(12,015,197)	(0.91%)
Net Assets			1,316,673,364	100.00%

TETRAGON FINANCIAL GROUP LIMITED

SCHEDULE OF INVESTMENTS (continued)
as at 31 December 2007 (audited)

Security Description	Nominal /Shares	Cost US$	Fair Value US$	% of Net Assets
Investment Funds - Guernsey				
Tetragon Financial Group Master Fund Limited – shares	118,455,430	1,113,464,521	1,188,220,992	100.00%
Total Investments			1,188,220,992	100.00%
Other Assets and Liabilities			-	-
Net Assets			1,188,220,992	100.00%

UNAUDITED INTERIM REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 JUNE 2008

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED INTERIM REPORT
For the period ended 30 June 2008

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
as at 30 June 2008 (unaudited)

	Note	30 Jun 2008 US$	31 Dec 2007 US$
Assets			
Investments in securities, at fair value* (cost US$1,416,516,946 (2007: US$1,416,516,946))		1,393,114,655	1,446,544,122
Cash and cash equivalents	3	185,950,242	209,237,922
Amounts due from brokers	5	56,792,270	36,860,768
Unrealized gain on forward contracts	4	-	317,732
Derivative financial assets - credit default swaps	4	10,931,088	11,267,718
Other receivables	6	343,582	935,562
Total assets		1,647,131,837	1,705,163,824
Liabilities			
Payables under repurchase and swap agreements	7 & 8	300,970,891	419,005,128
Unrealized loss on forward contracts	4	3,828,483	2,317,971
Derivative financial liabilities - credit default swaps	4	-	1,481,131
Bank overdraft	3	11,190,896	13,092,191
Amounts payable to feeder fund		166,500	416,429
Interest payable		2,098,347	3,878,818
Other payables and accrued expenses	9	188,159	534,200
Total liabilities		318,443,276	440,725,868
Net assets		1,328,688,561	1,264,437,956
Equity			
Share capital	10	126,306	126,054
Share premium	11	1,142,323,364	1,141,737,834
Earnings	13	186,238,891	122,574,068
		1,328,688,561	1,264,437,956
Shares outstanding		Number	Number
Shares	10	126,306,011	126,053,607
Net asset value per share			
Shares		US$10.52	US$10.03

* US$833,724,596 (2007: US$812,296,967) of these investments are pledged as collateral under repurchase and swap agreements.

The accompanying notes are an integral part of the financial statements.

On behalf of the Board of Directors:

Rupert Dorey   David Jeffreys
30 July 2008

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF OPERATIONS
For the period ended 30 June 2008 (unaudited)

	Note	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2007 US$
Interest income	14	113,781,368	92,641,936
Investment income		113,781,368	92,641,936
Management fees	15	(9,611,616)	(3,369,456)
Administration fees		(334,178)	(284,973)
Custodian fees		-	(2,246)
Legal and professional fees		(318,804)	(55,184)
Audit fees		(153,814)	(99,224)
Directors' fees	15	(100,000)	(61,599)
Transfer agent fees		(79,785)	-
Other operating expenses		(285,005)	(30,221)
Interest expense		(8,817,720)	(8,670,998)
Operating expenses		(19,700,922)	(12,573,901)
Net investment income		94,080,446	80,068,035
Realized and unrealized gain/(loss) from investments and foreign currency			
Net realized (loss) from:			
Investments		322,349	825,000
Foreign currency transactions		(21,795,415)	(6,788,709)
Credit default swaps		5,619,980	(817,144)
		(15,853,086)	(6,780,853)
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		797,383	1,044,113
Forward foreign exchange contracts		(1,828,244)	1,150,073
Credit default swaps		1,144,501	622,386
Translation of assets and liabilities in foreign currencies		25,390,012	6,771,422
		25,503,652	9,587,994
Net realized and unrealized gain from investments and foreign currencies		9,650,566	2,807,141
Net increase in net assets resulting from operations		103,731,012	82,875,176

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 June 2008 (unaudited)

	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2007 US$
Investment income	113,781,368	92,641,936
Operating expenses	(19,700,922)	(12,573,901)
Net realized (loss) from investments and foreign currency	(15,853,086)	(6,780,853)
Net unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	25,503,652	9,587,994
Net increase in net assets resulting from operations	103,731,012	82,875,176
Dividends declared to shareholders	(40,066,189)	-
Issue of shares	5,473,159	708,853,728
Redemption of shares	-	(109,034,278)
Treasury shares	(4,887,377)	-
Global offering costs	-	(19,500,000)
Increase in net assets resulting from net share transactions	585,782	580,319,450
Total increase in net assets	64,250,605	663,194,626
Net assets at start of year	1,264,437,956	606,123,240
Net assets at end of period	1,328,688,561	1,269,317,866

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF CASH FLOWS
For the period ended 30 June 2008 (unaudited)

	Period ended 30 Jun 2008 US$	Period ended 30 Jun 2007 US$
Operating and investing activities		
Net increase in net assets resulting from operations	103,731,012	82,875,176
Adjustments for:		
Realized gains on investments	(322,349)	(825,000)
Non cash interest income on investments	79,797,477	(28,667,476)
Unrealized (gains)	(25,503,652)	(9,587,994)
Operating cash flows before movements in working capital	157,702,488	43,794,706
(Increase) /decrease in receivables	591,980	(626,313)
(Decrease)/increase in payables	(2,376,441)	730,469
Cash flows from operations	155,918,027	43,898,862
Proceeds from repayments on investments	322,349	88,268,464
Purchase of investments	-	(699,419,632)
Cash outflows from operating and investing activities	156,240,376	(567,252,306)
Financing activities		
Amounts due from brokers	(19,931,502)	-
Proceeds from issue of shares	-	708,853,728
Payments on redemption of shares	-	(109,034,278)
Treasury shares	(4,887,377)	-
Global offering costs	-	(19,181,890)
Dividends paid to shareholders	(34,593,030)	-
Receipts from repurchase and swap agreements	(118,034,237)	85,008,724
Bank overdraft	(1,901,295)	-
Cash inflows from financing activities	(179,347,441)	665,646,284
Net (decrease)/increase in cash and cash equivalents	(23,107,065)	98,393,978
Cash and cash equivalents at beginning of period	209,237,922	117,859,435
Effect of exchange rate fluctuations on cash and cash equivalents	(180,615)	(42,122)
Cash and cash equivalents at end of period	185,950,242	216,211,291

The accompanying notes are an integral part of the financial statements.

Note 1 General Information

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 under the provisions of The Companies (Guernsey) Law, 1994, as amended, as a company limited by shares, with registered number 43322. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). On 22 March 2007 the shareholders of the Fund passed a resolution, amending its articles of association to modify, among other things, its capital structure. Such amendment to the Fund's articles of association converted the Fund into a closed-ended fund by eliminating redemption rights of investors. The Fund continues to be registered and domiciled in Guernsey.

The registered office of the Fund is Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 3BG.

The Fund's investment objective is to generate distributable income and capital appreciation. To achieve this investment objective, and to aim to provide stable returns to investors across various interest rate and credit cycles, the Fund's Investment Manager seeks to identify 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 the market experience of the Investment Manger to negotiate favorable transaction terms for vehicles in which the Fund invests. As part of this current investment strategy, the Fund employs hedging strategies and moderate leverage in seeking to provide attractive returns from the portfolio while managing risk.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with United States generally accepted accounting principles ("US GAAP").

For financial statement reporting purposes, the Fund is an investment company and follows the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies (the "Guide").

The accounting policies have been consistently applied by the Fund during the period ended 30 June 2008 and are consistent with those used in the previous period.

The financial statements are presented in United States dollars.

Note 2 Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Fund's management believes that the estimates utilized in preparing the financial statements are reasonable and prudent; however, actual results could differ materially from these estimates.

Foreign Currency Translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to US Dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the Statements of Operations.

Foreign currency exchange differences relating to derivative financial instruments are included in foreign currency transactions and translation of assets and liabilities in foreign currencies in the Statements of Operations. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents and investments, are included in the foreign currency transactions and translation of assets and liabilities in foreign currencies in the Statements of Operations.

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from equity "tranche" investments, forwards, credit default swaps and repurchase agreements are calculated on the identified cost basis. Interest income and expense is recognized in the Statements of Operations as it accrues. Interest income is recognized on an effective interest rate basis.

Note 2 Significant Accounting Policies (continued)

Financial Instruments

Investments in securities, at fair value

In the absence of an active market for the equity tranche investments in securitization vehicles, a mark to model approach has been adopted to determine their valuation. A third party valuation model that is used by the Investment Manager and the Administrator has been selected for this purpose. The model contains characteristics of the securitization vehicle structure, including current assets and liabilities and inception to date performance, based upon information derived by a specialist firm, from data sources such as the trustee reports. Key model inputs include asset spreads, expected defaults and expected recovery rates for the relevant category of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator. The model is used to project performance ("Expected IRR") for each investment, based on performance to date and expected future cash flows. As income is received from the securitization vehicle, only the Expected IRR is recognized as income and any difference is treated as an adjustment of principal.

The fair value calculations for the equity tranches are sensitive to the key model inputs, in particular to defaults and recovery rates. The default and recovery rates assumptions are derived directly from the extensive data provided by rating agencies such as Moodys and Standard & Poors, and applied according to the quality and asset class mix of the underlying collateral.

The initial model assumptions are reviewed on a regular basis with reference to both current and projected data from the ratings agencies and the main brokers operating in this market. In the case of a material shift in the actual rates away from historical levels then the model assumptions will be adjusted accordingly.

If, over the lifetime of an individual deal, defaults and recoveries diverge from their long term historical norms, then the actual returns may differ from the current levels projected by the model, which would impact the net asset value of the Fund.

The Fund recognizes interest income and any impairment pursuant to Emerging Issues Task Force Issue No. 99-20 ("EITF 99-20"), "*Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*". EITF 99-20 sets forth rules for recognizing interest income and determining when an investment's amortized cost must be written down to fair value because of other than temporary impairments.

Note 2 Significant Accounting Policies (continued)

Investments in securities, at fair value (continued)

The Fund determines periodic interest income based on the principles of EITF 99-20. The excess of the estimated future cash flows over the initial investment is the accretable yield which is recognized as interest income over the life of the investment using the effective yield method. Cash distributions received from investments under EITF 99-20 may not necessarily equal the income earned during any given year or period.

The amortized cost of each investment is equal to the initial investment plus the yield accrued to date less all cash received to date less any write downs for impairment.

Investments are evaluated for impairment as of each month end or more frequently if the Fund becomes aware of any material information that would lead it to believe an investment may be impaired. Unrealized gains and losses occur when actual cash receipts differ from the amounts initially estimated, discount rates and/or assumptions included in the fair valuation models (such as estimated default rates, prepayment or recovery rates) have changed. Any unrealized loss is tested for permanent impairment as required by EITF 99-20.

In determining permanent impairment, the present value of the future estimated remaining cash flows discounted at the last rate used to recognize the accretable yield on the investment is compared with the present value of the previously estimated remaining cash flows discounted at the last rate used to recognize accretable yield on the investment adjusted for the cash received during the intervening period. If the present value of the newly estimated cash flows has decreased then an adverse change and a temporary impairment has occurred. When an impairment is other than temporary, the investment is written down to fair value as of the reporting date and any previously unrealized loss is realized in the period such a determination is made. The Fund evaluates its impairment for investments on an investment by investment basis, not on an overall portfolio basis.

The Fund adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS157), effective with the beginning of the Fund's fiscal year. FAS 157 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

FAS 157 also establishes a framework for measuring fair value and a three level hierarchy for fair value measurement based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Note 2 Significant Accounting Policies (continued)

Investments in securities, at fair value (continued)

The three levels of the fair value hierarchy are described below:

Level 1 – Quoted in active markets for identical investments
Level 2 – Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayments speeds, credit risk and others.
Level 3 – Unobservable inputs. Unobservable inputs reflect assumptions market participants would be expected to use in pricing the asset or liability.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's assets carried at fair value:

	Investments in Securities at fair value US$	Net Unrealised Appreciation / (Depreciation) on other financial instruments* US$
Level 1 – Quoted prices	-	-
Level 2 – Other significant observable inputs	-	7,102,605
Level 3 – Significant unobservable inputs	1,393,114,655	-
	1,393,114,655	7,102,605

* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as forward foreign currency contracts and credit default swaps, which are valued at the unrealized appreciation/depreciation of the instrument.

Note 2 Significant Accounting Policies (continued)

Investments in securities, at fair value (continued)

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at June 30, 2008.

	US$
Balance at 31 December 2007	1,446,544,122
Total realised gains	322,349
Changes in unrealized app	22,020,418
(Amortization)	(75,772,234)
Balance as of 30 June 2008	1,393,114,655

Total realized gains reflect cash received on an investment previously written off. The amortization of assets is a result of cash receipts in excess of interest accrued and hence a repayment of principal.

Credit default swaps

Credit default swaps are contracts in which the Fund pays or receives premium flows in return for the counterparty accepting or selling all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection the maximum potential loss is the value of the premium flows the Fund is contracted to pay until maturity of the contract. Where the Fund has sold protection the maximum potential loss is the nominal value of the protection sold.

Credit default swaps are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. The net income or expense on the swap agreements entered into by the Fund is reflected in the Statements of Operations. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the Statements of Assets and Liabilities. Changes in the fair value are reflected in the Statements of Operations in the period in which they occur.

Forward currency contracts

Forward currency contracts are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a forward contract at initial recognition is the transaction price. Subsequent changes in the fair value of any forward contract are recognized immediately in the Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Repurchase agreements, reverse repurchase agreements and swap agreements

Securities sold subject to a simultaneous agreement to repurchase those securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and swap agreements and interest incurred on repurchase agreements and swap agreements is recognized as interest income or interest expense, over the life of each agreement using the effective interest method.

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents, short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Expenses

Expenses, including management fees, incentive fees, administration fees and prime broker fees, are recognized in the Statements of Operations on an accrual basis.

Taxation

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP600 per annum. Interest income received by the Fund may be subject to withholding tax imposed in the country of origin. Interest income is recorded gross of such taxes and the withholding tax is disclosed separately.

Capital expenses

The preliminary expenses of the Fund directly attributable to the global offering are charged to the share premium account.

Note 2 Significant Accounting Policies (continued)

Dividends payable

Dividends payable on shares are recognized in the Statements of Changes in Net Assets.

Principles of Consolidation

The Fund has determined that it does not have control over the significant operating, financial and investing decisions of the underlying CLO entities, or over the investment managers of the underlying CLO entities.

The Fund is the primary beneficiary of some CLO entities which are considered variable interest entities ("VIE"). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide: Investment Companies, consolidation of these entities is not required. The Fund does not consolidate any of the underlying CLO entities.

Note 3 Cash and Cash Equivalents

	30 Jun 2008 US$	31 Dec 2007 US$
Cash and current deposits with banks*	185,950,242	209,237,922
Foreign currency cash (cost: US$(10,985,354) (2007: US$13,067,264))	(11,190,896)	(13,092,191)
	174,759,346	196,145,731

*US$106,029,977 (31 December 2007: US$159,096,991) of the deposits with banks is held in a two week fixed term account with the purpose of earning a higher interest return. Cash balances in this account can be accessed without notice to settle the purchase of securities and other "permitted purposes".

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

The Fund's investment objective is to generate distributable income and capital appreciation. To achieve this investment objective, and to aim to provide stable returns to investors across various interest rate and credit cycles, the Fund's Investment Manager seeks to identify 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 the market experience of the Investment Manger to negotiate favorable transaction terms for vehicles in which the Fund invests. As part of this current investment strategy, the Fund employs hedging strategies and moderate leverage in seeking to provide attractive returns from the portfolio while managing risk.

To the extent prices may be obtained on some or all of the Fund's assets, those prices may be extremely volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Fund's assets.

The Fund's assets include securities or other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of equity tranche investments in securitization vehicles is determined utilizing a financial model that reflects numerous variables including, among other things, the Investment Manager's assessment of the nature of the investment and the relevant collateral, security position, risk profile, expected default rates and the originator and servicer of the position. As each of these factors involves subjective judgments and forward-looking determinations by the Investment Manager, the Investment Manager's experience and knowledge is instrumental in the valuation process. Further, because of overall size or concentration in particular markets of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at.

The majority of the Fund's investments consist of interests in and/or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by the same pool of assets. In the event of default by an issuer in relation to such investments holders of the issuer's more senior securities will be entitled to payments in priority to the Fund. Some of the Fund's investments may also have structural features that divert payments of interest and/or principal to more senior classes secured by the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels.

This may lead to interruptions in the income stream that the Fund anticipates receiving from its investment portfolio.

To the extent that actual defaults and losses on the underlying collateral exceed the level of defaults and losses used to determine the fair value of the investment, the value of the investment may be reduced.

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

The Fund's assets are held at the prime broker and the Fund is exposed to the credit risk of this counterparty.

The Fund's repurchase and swap agreements result in exposure to counterparty credit risk. The counterparties to the Fund's repurchase and swap agreements are major financial institutions.

Details of the Fund's investment portfolio at the balance sheet date are disclosed in the Schedule of Investments on pages 26 to 27.

Forward contracts

The following foreign exchange forward contract was unsettled at 30 June 2008.

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Loss US$
27 August 2008	Morgan Stanley	US$215,978,000	EUR140,000,000	(3,828,483)
				(3,828,483)

The following foreign exchange forward contracts were unsettled at 31 December 2007.

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Gain US$
03 January 2008	Morgan Stanley	EUR12,929,603	US$8,865,000	31,471
14 March 2008	Morgan Stanley	US$69,053,340	EUR47,000,000	286,261
				317,732

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Loss US$
18 January 2008	Morgan Stanley	US$70,967,500	EUR50,000,000	(2,154,455)
04 February 2008	Morgan Stanley	US$16,730,829	EUR11,465,000	(41,091)
31 March 2008	Morgan Stanley	US$33,529,170	EUR23,000,000	(122,425)
				(2,317,971)

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

Credit default swaps

The Fund has entered into credit default swap agreements, where the Fund purchases net credit protection as follows:

As at 30 June 2008:

Maturity Date Range	Description	Notional US$	Fair Value US$
Buy			
December 2012 – June 2013	CDS Index	84,400,000	6,796,882
December 2011 – June 2012	CDS Single Name	34,723,350	4,134,206
			10,931,088

As at 31 December 2007:

Maturity Date Range	Description	Notional US$	Fair Value US$
Buy			
December 2011 – December 2012	CDS Index	280,000,000	9,088,810
December 2011 - December 2012	CDS Single Name	44,386,150	2,108,824
Sell			
December 2012	CDS Index	(50,000,000)	70,084
			11,267,718
Sell			
December 2012	CDS Index	(175,000,000)	(1,481,131)
			(1,481,131)

*As at 31 December 2007 TFG was long $280 million of protection on the HY and LCDX indices and short $225m of protection on the super-senior tranches of these indices. This structure was used to access equity and mezzanine loss protection efficiently.

Note 5 Amounts Due From Brokers

The amounts due from brokers is made up of cash pledged as collateral on the repurchase agreements and coupons not yet received from repurchase agreement counterparties. At 30 June 2008 the collateral cash balance with Lehman Brothers was $6,245,562 (2007: US$6,316,373) and the collateral cash balance with Deutsche Bank AG was US$47,130,157 (2007: US$28,281,347), US$3,416,551 is due to coupons not yet received as at 30 June 2008 (2007: US$2,263,048).

Note 6 Other Receivables

	30 Jun 2008 US$	31 Dec 2007 US$
Bank interest receivable	343,582	887,031
Prepaid insurance	-	48,531
	343,582	935,562

Note 7 Payables under Repurchase Agreements

	30 Jun 2008 US$	31 Dec 2007 US$
Payable under repurchase agreement – Morgan Stanley	92,436,533	160,342,579
Payable under repurchase agreement – Lehman	53,347,456	73,021,197
Payable under repurchase agreement – JP Morgan	43,528,079	65,537,316
Payable under swap agreement – Deutsche Bank	111,658,823	120,104,036
	300,970,891	419,005,128

The average interest rate payable during the period was 5.01% (2007: 5.95%). The average amount of borrowings under repurchase and swap agreements during the period was US$351,829,801 (2007: US$368,659,892). Securities sold under repurchase agreements are included in investments in securities, at fair value. The fair value of these securities held under repurchase agreements at 30 June 2008 was US$609,512,788 (31 December 2007: US$609,397,534). The fair value of these securities held under the swap agreements at 31 December 2007 was US$224,211,808 (31 December 2007: US$202,899,433).

Note 8 Payables under Swap Agreements

The Fund has entered into a Structured Total Return Swap agreement with Deutsche Bank AG. By period end the Fund delivered to Deutsche Bank AG bonds with a face value of US$216,502,461 (2007: US$209,597,650) in exchange for US$111,658,823 (2007: US$120,104,036). At the conclusion of the Contract the same bonds will be delivered back to the Fund and the outstanding loan will be repaid. During the term of the Contract interest will be paid to Deutsche Bank AG on the amount borrowed at a floating rate of the 3 month USD-LIBOR-BBA plus a spread of 0.85% on a quarterly basis and the Fund will receive all cash payments received by Deutsche Bank AG from the underlying bonds. In addition, the Fund maintains the voting rights on the bonds. Both the Fund and Deutsche Bank AG can terminate the swap by giving the required one year's notice.

Note 9 Other Payables and Accrued Expenses

	30 Jun 2008 US$	31 Dec 2007 US$
Audit fee accrual	138,164	264,315
Legal and professional fees accrual	-	30,000
Directors' fee accrual	49,995	49,995
Transfer agent fee accrual	-	17,890
Public relations fee accrual	-	112,000
Technology expense accrual	-	60,000
	188,159	534,200

Note 10 Share Capital

On 22 March 2007 the shareholders of the Fund passed a resolution amending its articles of association to modify, among other things, its capital structure. Prior to this resolution the Fund had an authorized share capital of US$100,000 divided into 10 Founder Shares, par value US$0.001 per share and 99,999,990 unclassified shares, par value US$0.001 per share. Unclassified shares were each available for issue as a Redeemable Preference Share, a Growth Share or a Nominal Share.

10 Founder Shares had been issued at par and were beneficially owned by the Principal Manager. The issued Redeemable Preference Shares were equal to the net assets of the Fund, when the Fund was an open ended investment company. These Redeemable Preference Shares were converted to non-voting shares (as described below) as result of this resolution.

Note 10 Share Capital (continued)

No nominal shares were issued. Six Growth Shares were issued when the Fund was launched in 2005. Following the listing of the Guernsey Feeder on the Euronext Amsterdam stock exchange the Growth Shares ceased to be outstanding.

Authorized

After the change in the capital structure the Fund has an authorized share capital of $1,000,000 divided into 10 voting shares, having a par value of $0.001 each and 999,999,990 non-voting shares, having a par value of $0.001 each.

Voting shares and non-voting shares

All of the Funds voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. During the period the Fund's non-voting shares were beneficially owned by Tetragon Financial Group Limited (the "Guernsey Feeder") and Tetragon Financial Group LP (the "U.S. Feeder") in proportion to their relative capital. As at 30 June 2008 the non-voting shares were 100% owned by the Guernsey Feeder. All shares are in registered form and no share certificates will be issued. The Voting Shares will be the only shares entitled to vote for the election of Directors and on all other matters put to a vote of Shareholders

Dividend Rights

Dividends may be paid to the holders of Non-Voting Shares at the sole and at the absolute discretion of the Directors. The Voting Shares carry no rights to dividends. Non-Voting shareholders can elect to receive dividends in the form of new Non-Voting shares in the Fund instead of cash dividends. The new shares are of the same class and type and will rank equally with the existing issued Non-Voting shares in all respects.

Share transactions

	Founder Shares No.	Growth Shares No.	Participating Shares No.
Shares in issue at 31 December 2006	10	6	4,893,542
Issued	-	-	3,221,142
Redeemed	-	-	(451,950)
Ceased to be outstanding	(10)	(6)	-
Converted	-	-	(7,662,734)
Shares in issue at 31 December 2007	-	-	-

Note 10 Share Capital (continued)

	Voting Shares No.	Non- Voting Shares No.	Non- Voting Shares US$
Shares in issue at 31 December 2006	-	-	-
Issued	10	30,912,197	30,912
Treasury shares	-	(311,895)	(311)
Converted	-	95,453,305	95,453
Shares in issue at 31 December 2007	10	126,053,607	126,054
Issued	-	1,070,904	1,071
Treasury shares	-	(818,500)	(819)
Shares in issue at 30 June 2008	10	126,306,011	126,306

Treasury shares

On 30 November 2007, Tetragon Financial Group Limited ("the Guernsey Feeder"), an investor in the Fund, announced the implementation of a share repurchase program of up to 5% of their outstanding non-voting shares over the following 12 months. In conjunction with this the Fund has undertaken to repurchase an identical number of its own shares from the Guernsey Feeder as and when it makes these repurchases in the open market. The Fund will match the price per share paid by the Guernsey Feeder. The shares are held in a Treasury Account which allows them to be resold back to the Guernsey Feeder if it resells its own shares back into the market at a later date. Whilst they are held in the Treasury Account the shares are neither eligible to receive dividends nor are they included in the shares outstanding on the Statements of Assets and Liabilities.

Note 11 Share Premium

	30 Jun 2008 US$	31 Dec 2007 US$
Balance at start of year	1,141,737,834	556,669,989
Premium arising from net issue of shares	585,530	604,948,979
Global offering expenses	-	(19,881,134)
Balance at end of period/year	1,142,323,364	1,141,737,834

Note 12 Dividends

	30 Jun 2008 US$	31 Dec 2007 US$
Dividend paid for the quarter ended 30 June 2007 of US$0.18 per share	-	23,190,989
Dividend paid for the quarter ended 30 September 2007 of US$0.20 per share	-	25,675,358
Dividend paid for the quarter ended 31 December 2007 of US$0.15 per share	18,908,041	-
Dividend paid for the quarter ended 31 March 2008 of US$0.17 per share	21,158,148	-
	40,066,189	48,866,347

The second quarter dividend of $0.23 cents was proposed by directors on 30 July 2008 and has not been included as a liability in these financial statements.

The Fund pays a dividend to the Guernsey Feeder and the US Feeder that is sufficient to pay their incentive fee liability and also to cover their dividend liability.

Note 13 Earnings

	30 Jun 2008 US$	31 Dec 2007 US$
Balance at start of year	122,574,068	49,448,357
Net increase in net assets resulting from operations for the period /year	103,731,012	121,992,058
Dividends paid	(40,066,189)	(48,866,347)
Balance at end of period/year	186,238,891	122,574,068

Note 14 Interest Income

	30 Jun 2008 US$	30 Jun 2007 US$
Cash and short-term funds	3,226,303	6,292,982
Debt securities	110,555,065	86,348,954
	113,781,368	92,641,936

Note 15 Related Party Transactions

Polygon Credit Management LP, a Delaware limited partnership (the "Investment Manager") has been appointed to manage the Fund's investment programs. The investment activities of the Investment Manager are subject to the overall supervision, control and policies of the Directors.

Tetragon Financial Group Limited (the "Guernsey Feeder"), a Guernsey based closed-ended investment company which has been formed primarily for the benefit of non-U.S. persons and U.S. tax-exempt investors, invests substantially all of its assets in the Fund. The Guernsey Feeder has the same Investment Manager as the Fund.

Tetragon Financial Group Fund LP (the "U.S. Feeder"), a Delaware limited partnership which has been formed primarily for the benefit of U.S. taxable investors, invests substantially all of its assets in the Fund. The U.S. Feeder has the same Investment Manager as the Fund. As at 30 June 2008 the U.S. Feeder no longer held an investment in the Fund.

From 1 July 2006 management fees were charged directly to the Guernsey Feeder and U.S. Feeder. After the closing of the global offering of the Guernsey Feeder on 26 April 2007 the management fees are paid by the Fund and allocated pro rata between the Guernsey Feeder and the U.S. Feeder, based on the respective Feeder's percentage ownership of the Fund.

Prior to 25 April 2007, expenses which related wholly and specifically to the individual Feeders were charged to the Feeder to which they related. After 26 April 2007 all fees and expenses of the Guernsey Feeder, the U.S. Feeder and the Fund, except for the incentive fees for the Investment Manager, are paid by the Fund and allocated pro rata between the Guernsey Feeder and the U.S. Feeder, based on the respective Feeder's percentage ownership of the Fund. An incentive fee may be paid to the Investment Manager by each of the Guernsey Feeder and the U.S. Feeder.

The global offering of the Guernsey Feeder closed on 26 April 2007. 30 million non-voting shares in the Guernsey Feeder were offered at a price of US$10 per share. The shares of the Guernsey feeder are listed on the Euronext Amsterdam stock exchange in the Netherlands.

Note 15 Related Party Transactions (continued)

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Initially, the Directors' annual fee shall be $50,000, in compensation for service on the Boards of Directors of both the Guernsey Feeder and the Fund. The Fund will pay the Directors' fees. The Polygon Directors have waived their entitlement to a fee. The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Guernsey Feeder or the Fund providing for benefits upon termination of employment.

Polygon Credit Holdings II Limited (the "Voting Shareholder") is an affiliate of Polygon and the Investment Manager and holds all of the Voting Shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Guernsey Feeder's Directors. Affiliates of Polygon also control the Investment Manager and, accordingly, control the Fund's business and affairs.

The Investment Manager initially paid fees totaling US$3,878,550 in relation to the Global offering. These were subsequently charged back to the Fund.

Note 16 Subsequent Events

As of 1 July 2008 State Street Fund Services (Guernsey) Limited replaced Kleinwort Benson (Channel Islands) Fund Services as Administrator and Registrar of the Fund. Investor Fund Services (Ireland), now a State Street company, will continue to perform the services they have provided since the Fund's inception as governed by the sub-administration agreement.

Note 17 Recent changes to US GAAP

In February 2008, the FASB Staff Position indefinitely delayed the effective date of SOP 71, which defines "Investment Company" for purposes of applying the industry-specific accounting in an AICPA guide. Companies that adopted SOP 71 prior to its effective date (December 15, 2007) may continue to apply it or rescind their adoption. Companies that did not adopt SOP 71 before December 15, 2007 may not do so. However, a subsidiary formed or acquired after the parent's adoption of the SOP must apply the SOP in its standalone financial statements if the parent company chooses not to rescind its early adoption. Companies that choose to rescind their adoption of the SOP must account for the change retrospectively in accordance with Statement 154. The Fund did not early adopt SOP 71 so their will be no impact to the Fund's financial statements.

Note 18 Approval of Financial Statements

The Directors approved the financial statements on 30 July 2008.

FINANCIAL HIGHLIGHTS
For the period ended 30 June 2008 (unaudited)

The following represents selected per share operating performance of the Fund, ratios to average net assets and total return information for the period ended 30 June 2008 and the year ended 31 December 2007.

	Participating Shares*	Participating Shares*	Redeemable Preference Shares*
	1 Jan 2008 to 30 Jun 2008	25 Apr 2007 to 31 Dec 2007	1 Jan 2007 to 25 Apr 2007
			US$
Per share operating performance			
Net asset value at start of period	10.03	9.84	123.86
Net investment income	0.72	0.96	7.26
Net realized and unrealized gain / (loss) from investments and foreign currencies	0.07	(0.40)	(0.21)
Dividends paid to shareholders	(0.30)	(0.37)	-
Net asset value at the end of the period	10.52	10.03	130.91
Return (NAV change excluding dividends)	4.89%	1.94%	5.69%
Ratios and supplemental data			
Ratio to average net assets:			
Total operating expenses (see Note 15)	(1.52%)	(2.46%)	(0.64%)
Net investment income	7.28%	10.19%	5.65%

An individual shareholder's per share operating performance and ratios may vary from the above based on the timing of capital transactions.

*The ratios and returns have not been annualized.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS
As at 30 June 2008 (unaudited)

Security Description	Nominal	Cost US$	Fair Value US$	% of Net Assets
US Dollar				
Cayman Islands – CLO debt equity security				
ABS and Structured Finance	18,400,000	17,572,000	-	-
Broadly Syndicated Senior Secured Loans	940,375,986	858,664,741	844,629,295	63.57%
CDOs Squared	62,250,000	52,156,250	-	-
Middle Market Senior Secured Loans	236,249,000	219,797,145	215,840,799	16.24%
	1,257,274,986	1,148,190,136	1,060,470,094	79.81%
Euro				
Ireland – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,580	194,246,347	14.62%
	127,400,000	155,916,580	194,246,347	14.62%
Luxembourg – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	99,012,959	7.45%
	65,100,000	80,651,697	99,012,959	7.45%
Netherlands – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	24,000,000	31,758,532	39,385,255	2.96%
	24,000,000	31,758,532	39,385,255	2.96%
Total Investments			1,393,114,655	104.85%
Cash and Cash Equivalents			185,950,242	14.00%
Bank overdraft			(11,190,896)	(0.84%)
Other Assets and Liabilities			(239,185,440)	(18.00%)
Net Assets			1,328,688,561	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2007 (audited)

Security Description	Nominal	Cost US$	Fair Value US$	% of Net Assets
US Dollar				
Cayman Islands – CLO debt equity security				
ABS and Structured Finance	18,400,000	17,572,000	-	-
Broadly Syndicated Senior Secured Loans	940,375,986	858,664,741	904,202,585	71.51%
CDOs Squared	62,250,000	52,156,250	-	-
Middle Market Senior Secured Loans	236,249,000	219,797,145	228,571,357	18.08%
	1,257,274,986	1,148,190,136	1,132,773,942	89.59%
Euro				
Ireland – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	185,324,517	14.66%
	127,400,000	155,916,581	185,324,517	14.66%
Luxembourg – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	92,176,023	7.28%
	65,100,000	80,651,697	92,176,023	7.28%
Netherlands – CLO debt equity security				
Broadly Syndicated Senior Secured Loans	24,000,000	31,758,532	36,269,640	2.87%
	24,000,000	31,758,532	36,269,640	2.87%
Total Investments			1,446,544,122	114.40%
Cash and Cash Equivalents			209,237,922	16.55%
Bank overdraft			(13,092,191)	(1.04%)
Other Assets and Liabilities			(378,251,897)	(29.91%)
Net Assets			1,264,437,956	100.00%