TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

October 23, 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.

Q3 2008 results at a glance:

- **Overview:** The portfolio continued to perform well in Q3 2008, generating both strong cash flows and earnings growth, which have assisted the company in responding to the recent dramatic financial market developments, including through the reduction of company leverage. A particular area of focus in recent months has been the management of counterparty risk which has, among other things, resulted in transfers of both our positions and unencumbered cash to organizations that have held stronger credit ratings.

Financial Results:

- **Net Income:** Consolidated Q3 2008 net income improved quarter-on-quarter to $48.8 million, compared with Q2 2008 net income of $45.8 million.

- **Cash Receipts:** The investment portfolio generated $77.7 million of cash during Q3 2008. Total cash receipts for the first nine months of 2008 totaled approximately $269.4 million or $2.14 per share (calculated using the average number of shares outstanding in TFGMF during the period based on quarter-end holdings).

- **Earnings per Share:** EPS for Q3 2008 was approximately $0.39 per share compared with EPS of $0.36 during the prior quarter. The EPS for the first three quarters of 2008 was approximately $1.11 per share.

- **Net Assets and NAV per Share:** Consolidated net assets continued to grow as a result of retained earnings. Net assets grew to $1.35 billion as of September 30, 2008, or $10.69 per share, up from $10.44 per share as of June 30, 2008.

- **Leverage:** During Q3 2008 we continued to strengthen TFG's balance sheet and reduce the leverage of the company by repaying repo borrowings and holding cash reserves, which are currently earmarked to pay down or defease remaining borrowings.

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.

(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.

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

- **Leverage (continued):** As of September 30, 2008, TFG had no net borrowings (cash and amounts due from brokers exceeded total company borrowings), down from approximately $69.0 million at the end of Q2 2008.

- **Dividend:** On October 21, 2008, the Board of Tetragon Financial Group Limited declared a dividend of $0.15 per share in respect of Q3 2008, which will be payable on November 18, 2008. Please refer to the website (www.tetragoninv.com) for additional information regarding the dividend, including the Optional Stock Dividend Plan.

- **IRRs:** The weighted-average IRR ended the quarter at 16.9%, up approximately 0.3% from the end of Q2 2008. We review, and adjust as appropriate, our IRR modeling assumptions to factor in historic, current and potential market developments on the performance of our investments. Given the dramatic nature of recent market developments, we think it may be helpful for this particular Quarterly Performance Report to provide additional color on certain adjustments to our IRR modeling assumptions made this past month as set out below (shown in no particular order):(2)

  - *Constant Annual Default Rate*: We have increased the assumed constant annual default rate to approximately 4.3% p.a., which is 2.0x the original base-case WARF-implied default rate, for the next two-years, followed by a return to 1.0x (the prior base-case WARF-implied default level) thereafter until maturity.

  - *Recovery Rate*: We have reduced assumed recovery rates to approximately 64.2%, or 0.9x of the original base-case assumed weighted-average recovery rate, for the next two years, followed by a return to 1.0x (the prior base-case recovery rate) (3) thereafter until maturity.

  - *Prepayment Rate*: We have reduced assumed loan prepayments to 10% p.a. for the next two years, followed by a return to the 20% p.a. (the prior base-case prepayment rate) thereafter until maturity; we have also assumed a 0% prepayment rate on bonds throughout the life of the transaction as in the prior base-case assumptions.

  - *Reinvestment Price and Spread*: We have reduced the assumed reinvestment price to below par to a level that generates an effective LIBOR spread of 450 bps on broadly U.S. syndicated loans, 500 bps on European loans, and 525 bps on middle market loans, for the next two years, followed by a return to par reinvestment price (the prior base case reinvestment price) thereafter until maturity.

  The net effect of these four changes in September was to reduce the weighted-average IRR by approximately 13 bps relative to the weighted-average IRR under our prior assumptions.

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(2) Please note that we undertake no obligation to update public disclosure with respect to these or other modeling assumptions, except as required by applicable law.

(3) The base-case weighted average recovery rate represents the weighted average of expected recoveries for a transaction based on our assumed recoveries for each asset class and each transaction's targeted asset mix, assuming 75% recovery for first lien U.S. loans, 70% for first lien European loans, 50% recovery on U.S. second lien and mezzanine loans, and 30% recovery for high yield bonds.

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

Financial Results (continued):

- **IRRs (continued):** Notwithstanding the above, the ability of many of our collateral managers to build par (increase applicable over-collateralization cushions) in our transactions during Q3 2008 through, among other things, discounted loan purchases in the secondary loan market, and an increase in the near-term forward LIBOR curve as of September 30, 2008, contributed to an overall increase in TFG's investments' weighted-average IRR as of September 30, 2008.

- **Life-to-Date Net Loss Reserves:** [(4)] Excess loss reserves increased, with approximately $158.0 million of excess loss reserves having been factored into our IRR calculations as of September 30, 2008. At the end of Q2 2008, excess loss reserves were $137.0 million.

- **Incentive Fee:** The hurdle rate for Q4 2008 has been reset at 6.7979% (Q3: 5.4354%) as per the process outlined in TFG's 2007 Audited Financial Statements and in accordance with TFG's investment management agreement. [(5)]

- **Financial Service Providers:** In light of the dramatic financial market volatility witnessed during the third quarter, we took a number of measures to help ensure the continued stability of TFG's financial position and to reduce counterparty risks, including:
  - Repaying all repo borrowings and clearing the repo margin account held at Lehman Brothers prior to that company's bankruptcy filing;
  - Transferring all un-financed securities (the substantial majority of our existing investments) to a segregated custodial account with State Street Custodial Services (Ireland) Limited;
  - Reducing financing and hedging counterparty exposure when and where appropriate and seeking to limit such exposure to only necessary daily operating activities, such as clearing services; and
  - Un-winding credit hedges, which monetized approximately $2.1 million of month-to-month gains and generated approximately $14.5 million in incremental cash via the collection of upfront payments on the trades. We continue to evaluate potential credit hedge opportunities.

Portfolio Summary:

- **Portfolio Size:** As of the end of Q3 2008, the investment portfolio totaled $1.31 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. [(6)]

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(4) 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.

(5) The hurdle rate is reset each quarter using 3M USD LIBOR plus a spread of 2.647858%.

(6) 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.

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

Portfolio Summary (continued):

- **Collateral Performance:** Through the end of Q3 2008, 53 of our investments outperformed their originally modeled par loss levels while eight transactions underperformed. (7)

- **Portfolio Credit Quality:** As of September 30, 2008, the weighted-average percentage of corporate obligors rated Caa1/CCC+ or below in our 61 CLO investments was 4.9% compared to an 8.1% weighted-average maximum level permitted under the terms of our investments. (8) The weighted-average WARF stood at approximately 2,490. Each of these foregoing statistics represents a weighted-average summary of all of our 61 investments. (9) Each individual investment's metrics will differ from this average and vary across the portfolio.

- **Market Default Rate:** The lagging 12-month institutional loan default rate increased to 1.91% by principal amount as of September 30, 2008, according to S&P/LCD, up from 0.24% during 2007. (10) TFG's lagging 12-month corporate loan default rate by comparison increased during the third quarter to 1.47%, approximately 23% below the market rate.

- **Loan Market:** Primary loan issuance volumes in both U.S. and Europe continued to be low by historical standards during Q3 2008. U.S. Q3 2008 loan issuance totaled $34 billion, down 59% from the same period in 2007; institutional loan volumes totaled only $17 billion down 63% year-over-year. Total issuance in the U.S. during the first nine months of 2008 stood at $133 billion, down 71% from the same period of 2007. (11)

  In Europe, €17.3 billion of senior loans were issued during Q3 2008, higher than the €9 billion issued during Q1 2008 but below the €25.4 billion brought to market during the second quarter. The total €51.8 billion of loans priced YTD represents a mere 36% of volume issued in the first nine months of 2007. Q3 2008 issuance, however, continued to be generally characterized by lower leverage and wider spreads. (12)

  As a result of these relatively low primary loan issuance volumes, many of our collateral managers have become more active in the secondary loan market. During this quarter, the de-leveraging of financial institutions which began in late 2007 accelerated and was exacerbated by the Lehman Brothers bankruptcy as well as uncertainty surrounding a government-led bailout.

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(7) Based on the over-collateralization ratios and cushion statistics reported in the most recent trustee reports available for our investments as of September 30, 2008.
(8) Excess Caa/CCC+ or below rated assets above the transaction specific permitted maximum holding levels are generally haircut in our transactions at market value for purposes of the over-collateralization and/or interest reinvestment test ratios.
(9) Weighted by the original USD cost of each investment.
(10) LCD News: "Philadelphia Media lifts default rate to 3.59%, a 5-year high," October 8, 2008.
(11) LCD News: "3Q numbers: Loan volume plunges; YTD levels akin to '91," September 30, 2008.
(12) LCD News: "(EUR) Third-quarter sees meager volume as shocks sink in," October 7, 2008.

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

Market Summary (continued):

- **Loan Market (continued):** We believe that these factors led to significant downward technical price pressure in the secondary loan market and because a considerable amount of loans are held in market-price sensitive financing vehicles, these price declines triggered additional selling. The return of the S&P/LCD Leveraged Loan Index for the first nine months of 2008 stood at (-8.0)% with the index losing 6.15% in September alone, the worst month on record. [(13)] We believe this environment allowed some of our collateral managers to reinvest cash at relatively discounted levels improving incremental par coverage cushion.

- **Loan Prepayments:** Prepayments remained generally subdued during Q3 2008 in both the U.S. and Europe. The prepayment rate of the U.S. S&P/LSTA Leveraged Loan Index stood at 2.0% during the third quarter, higher than the 1.4% recorded during Q2 2008 but lower than the 3.7% recorded in Q1 2008. European prepayments were similarly low, registering only 0.8% during Q3 2008, down from 1.6% for the second quarter and 1.1% during Q1 2008. Although prepayment rates have historically been low during cyclical downturns, in such periods lenders potentially may extract spread increases or amendment fees through covenant amendments or company restructurings, which would tend to have a positive effect on the performance of our CLO investments. Across our portfolio, we have begun to see some evidence of such activities. [(14)]

- **CLO Issuance:** YTD $86.2 billion of CLOs have been issued globally, approximately 49% below same-period 2007 volumes. As in earlier quarters, new CLO issuance was dominated by Europe which represented approximately 62% of 2008 YTD CLO issuance, with the U.S. composing 35% and the remainder attributed to other transactions. [(15)]

TFG Outlook:

- **Credit Quality:** We believe that loan defaults are likely to continue to increase over the coming months. Furthermore, negative loan rating migration, specifically migration to Caa1/CCC+ or below, may place pressure on our investments as potentially rating agencies take increasingly negative views on credits undergoing amendments or obligors within certain industries. Although Caa/CCC+ or below rated assets typically continue to perform and pay interest and thereby contribute to the cash generation of our investments, significant Caa/CCC+ or below rated asset exposure over pre-defined limits in such investments may temporarily cause cash diversion away from our CLO equity tranches and into the reinvestment of new collateral, and, if significant enough, potential de-leveraging. Although such diversions may reduce the cash distributed to our CLO equity tranches, they may ultimately prove beneficial if they facilitate reinvestment in performing loans at what we believe are historically low secondary loan prices.

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(13) LCD News: "Loan investors see red as returns post worst-ever readings," October 1, 2008.
(14) LCD News: "(EUR) Repayments shrink to €1.1B in 3Q08," October 14, 2008.
(15) Morgan Stanley CDO Market Update, October 7, 2008.

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

TFG Outlook (continued):

- **Credit Quality (continued):** We believe that our investments' term financing (generally locked-in at what we believe are attractive levels) and the recent, as well as potential for further, collateral par-build continue to provide our collateral managers with some room to maneuver their portfolios across turbulent credit conditions. As described earlier, the majority of our transactions have out-performed our par loss expectations to date. Given the current unprecedented volatility and market dislocation in the financial markets; however, we may see an increased dispersion of the performance of our investments going forward.

- **Interest Rate Risk:** The fair value of our investments may be significantly affected by changes in interest rates. Although CLOs are structured to hedge interest rate risk through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets of a CLO, which could have a positive or negative effect on the amount of funds distributed by our investments. In addition, many obligors have the ability to choose their loan base from among various terms of LIBOR and the Prime Rate thereby generating an additional source of potential mismatch, and a possible spread reduction in the event the Prime Rate is selected as the alternative base rate. (16) U.S. and European LIBOR rates have experienced significant volatility during Q3 2008. 3M-US LIBOR, for example, jumped from 2.8100% on September 1, 2008 to 4.0525% by September 30, while 3M EURIBOR rose from 4.95438% on September 1 to 5.27375% as of the end of that month. (17) These recent increases, volatility and potential mismatches to date have not materially impacted the cash distributions of our investments, but we continue to be mindful of their effects.

- **Future Investments:** We continue to see value in the senior secured loan space and believe that given our liquidity position, cash-generation capacity, and permanent capital base, we can take advantage of attractive opportunities. In some cases, leveraged loans and tranches of CLO transactions with stable credit characteristics are trading at what we believe to be attractive returns. As we evaluate future potential investments in the loan and structured credit space, we remain focused on the opportunity to improve the risk profile of our investments while capturing long-term value for our shareholders.

(16) Generally on an historical basis the Prime Rate has tended to fall below LIBOR allowing borrowers to negotiate a reduced spread on their loans if the Prime Rate is selected.
(17) Source: Bloomberg.

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

Quarterly Investor Call

We will host a conference call for investors on Thursday, October 23, 2008 at 15:00 BST/16:00 CET/10:00 EDT to discuss Q3 2008 results and to provide a company update.

The conference call may be accessed by dialing +44 (0) 20 7162 0025 and +1 334 323 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=587383&Conf=161751 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 813553 and as an MP3 recording on the TFG website.

For further information, please contact:

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Expected Upcoming Events	Date
Q3 Ex-Dividend Date	October 23, 2008
Q3 Financial Results	October 23, 2008
Quarterly Investor Call	October 23, 2008
Q3 Record Date	October 27, 2008
Q3 Dividend Payment Date	November 18, 2008
October 2008 Monthly Report	November 18, 2008 (approx)
Bank of America Credit Conference (Florida)	November 20, 2008
FBR Global Equity Conference (New York)	December 3, 2008

TETRAGON

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

TETRAGON FINANCIAL GROUP
Performance Metrics and Drivers

Performance Metrics	Q1 2008	Q2 2008	Q3 2008
EPS ($)	$0.36	$0.36	$0.39
DPS ($)	$0.15	$0.15	$0.15
Operating cost - income ratio	26.3%	28.3%	29.5%
Performance Drivers	**Q1 2008**	**Q2 2008**	**Q3 2008**
Number of investments [1]	61	61	61
Weighted Average IRR on completed transactions	16.0%	16.6%	16.9%
Leverage at end of period	1.09	1.03	0.97
Net assets ($MM)	$1,289	$1,319	$1,348
Number of shares outstanding (million)	125.7	126.3	126.2
Net excess life-to-date loss accruals ($MM) [2]	($116.0)	($137.0)	($158.0)

[1] Excludes CDO-squared and ABS CDO transactions written off in October 2007. TFG continues to hold the economic rights to these written-off transactions.

[2] 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	Q1 2008 ($MM)	Q2 2008 ($MM)	Q3 2008 ($MM)
Interest Income from Investments	$55.9	$54.6	$53.5
Interest Income from Cash	$2.1	$1.1	$1.0
Investment Income	**$58.0**	**$55.7**	**$54.5**
Management Fees	($4.8)	($4.8)	($5.0)
Admin/ Custody and Other Fees	($0.6)	($0.5)	($0.8)
Interest Expense	($5.2)	($3.6)	($3.0)
Total Operating Expenses Excluding Performance Fee	**($10.6)**	**($8.9)**	**($8.8)**
Net Investment Income	**$47.4**	**$46.8**	**$45.7**
Realised and Unrealised Gains/(Losses) From Hedging	$9.5	($1.1)	$3.4
Net Increase/(Decrease) in Unrealised Appreciation/(Depreciation) in Investments	($9.0)	$9.7	$10.0
Net Realised Gain/(Loss) on Investments	$0.4	$0.0	$0.0
Net Realised and Unrealised Gains/(Losses) from Investments and FX	**$0.9**	**$8.6**	**$13.4**
Net Increase/(Decrease) in Net Assets From Operation Before Performance Fees	**$48.3**	**$55.4**	**$59.1**
Performance Fees	($2.4)	($9.6)	($10.3)
Net Increase/(Decrease) in Net Assets from Operations	**$45.9**	**$45.8**	**$48.8**

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE REPORT FOR QUARTER ENDED 30 SEPTEMBER 2008

TETRAGON FINANCIAL GROUP

Unaudited Balance sheet as at 30 Sept 2008 ($)

	TFG Master Fund	TFG	TFG Total
Assets			
Investments in securities, at fair value	$1,346.0		$1,346.0
Cash and cash equivalents	$366.7		$366.7
Amounts due from brokers	$57.0		$57.0
Unrealised gain on forward contracts	$0.5		$0.5
Other receivables	$0.3		$0.3
Total Assets	**$1,770.5**		**$1,770.5**
Liabilities			
Payables under repurchase and swap agreements	$144.4		$144.4
Bank Overdraft	$265.9		$265.9
Amounts payable to feeder fund	$0.3		$0.3
Interest payable	$0.8		$0.8
Other payables and accrued expenses	$0.3	$10.3	$10.6
Total Liabilities	**$411.7**	**$10.3**	**$422.0**
Net Assets	**$1,358.8**	**($10.3)**	**$1,348.5**

TETRAGON

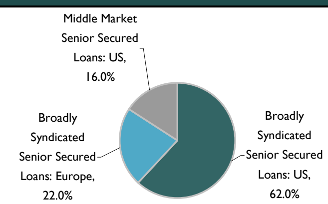
Tetragon Financial Group Limited (TFG)

Portfolio Composition
Portfolio Held by Tetragon Financial Group Master Fund Limited
(unless otherwise stated)
As of September 30, 2008

Report Date	TFG Share Price ($)	TFG group Market Cap ($MM)[1]	TFG group Net Assets ($MM)	No. of Closed CLO Transactions
30 September 2008	$5.00	$640.3	$1,348.5	61[2]

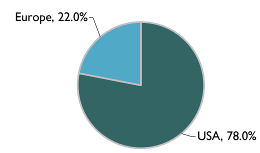
Capital Allocation by Asset Class	Risk Capital Allocation	Investment - Amortized Cost ($MM)[3]	Investment - Amortized Cost B/Fwd ($MM)[4]	Overall Leverage[5]
Broadly Syndicated Senior Secured Loans: US	62.0%	$834.7	$818.1	
Broadly Syndicated Senior Secured Loans: Europe	22.0%	$296.5	$283.4	
Middle Market Senior Secured Loans: US	16.0%	$214.8	$208.0	
CDOs Squared: US	0.0%	$0.0	$0.0	
ABS and Structured Finance: US	0.0%	$0.0	$0.0	
Total	100.0%	$1,346.0	$1,309.5	0.97

Asset Class Allocation



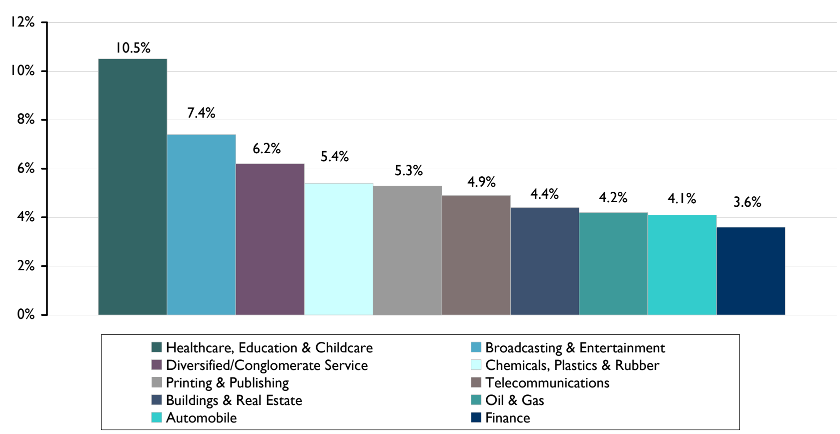
Geographic Allocation by Asset Class	USA	Europe	Asia Pacific	Total
Broadly Syndicated Senior Secured Loans	74%	26%	0%	100%
Middle Market Senior Secured Loans	100%	0%	0%	100%
CDOs Squared	0%	0%	0%	0%
ABS and Structured Finance	0%	0%	0%	0%
	78.0%	22.0%	0%	100%

Geographic Allocation



Top 15 Underlying Bank Loan Credits	Bank Loan Exposure [6]
HCA Inc	0.85%
Georgia Pacific Corp	0.83%
Community Health	0.78%
Univision Communications	0.74%
Idearc	0.74%
TXU Corp	0.73%
Ineos Group Plc	0.58%
Cablevision Systems Corp	0.57%
Aramark Corp	0.55%
Freescale Semiconductor Inc	0.53%
Nielsen Company	0.50%
OshKosh Truck	0.49%
Metro-Goldwyn-Mayer Inc	0.48%
First Data Corp	0.47%
SunGard Data Systems Inc	0.46%

Top 10 Bank Loan Industry Exposures



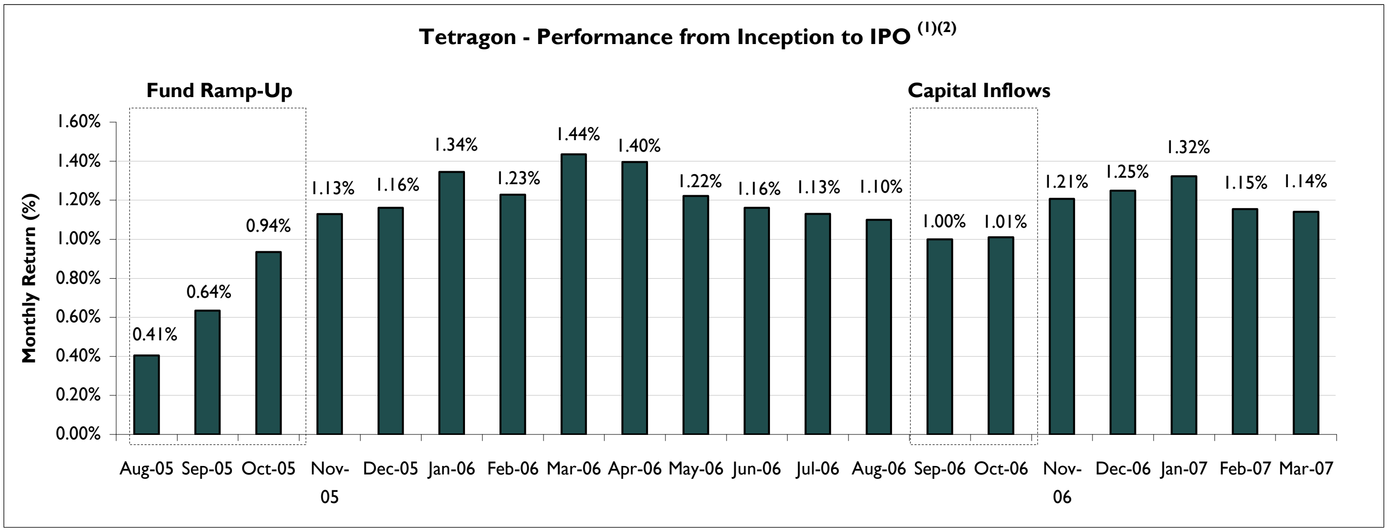
EUR-USD FX: 1.41

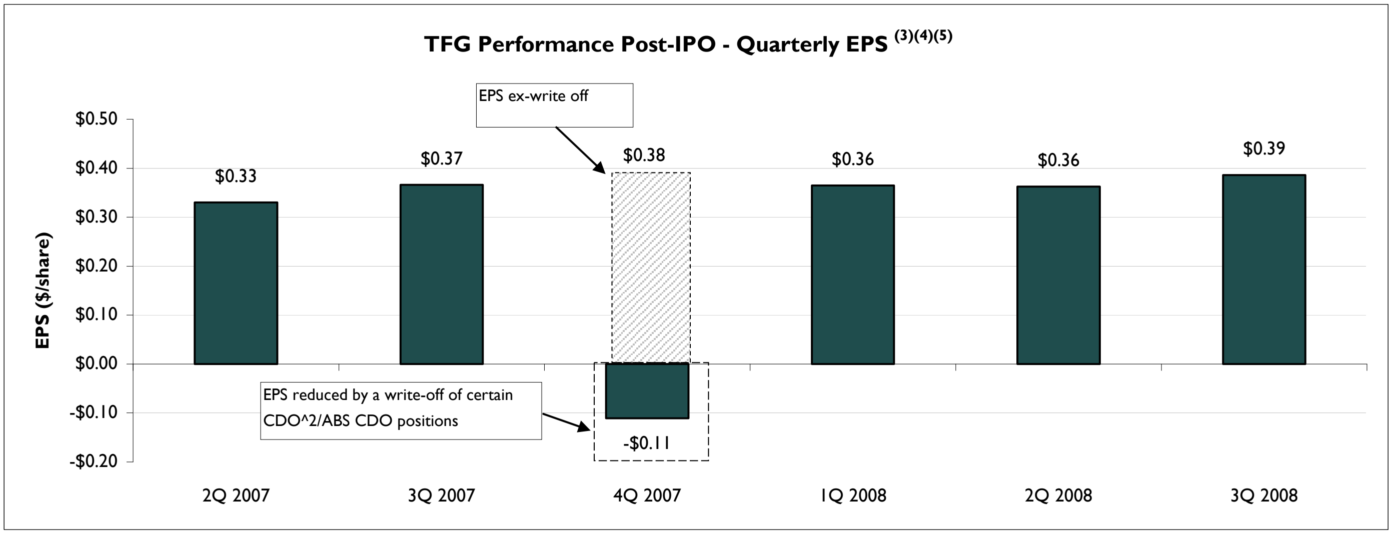
(1) Calculated using TFG shares outstanding and month end exchange price.
(2) Excludes CDO-squared and ABS CDO transactions which were written off in October 2007. TFG continues to hold the economic rights to these written-off transactions.
(3) Equivalent to Investment in Securities at Fair Value in the US GAAP Financial Statements.
(4) Investments at Amortized Cost less interest accrued since last payment date. Internal Rate of Return (IRR) x Amortized Cost B/Fwd determines CDO income.
(5) Equals CDO Amortized Cost BFwd / Book Value.
(6) 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

TETRAGON FINANCIAL GROUP LIMITED (TFG)

PERFORMANCE SUMMARY AS OF SEPTEMBER 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.

TETRAGON

BOARD OF DIRECTORS

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

***Independent Director**

SHAREHOLDER INFORMATION

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UNAUDITED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP LIMITED

FOR THE PERIOD ENDED 30 SEPTEMBER 2008 AND FOR THE PERIOD ENDED 30 SEPTEMBER 2007

TETRAGON FINANCIAL GROUP LIMITED

UNAUDITED QUARTERLY REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 AND FOR THE PERIOD ENDED 30 SEPTEMBER 2007

CONTENTS

TETRAGON FINANCIAL GROUP LIMITED

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

	30 Sep 2008 US$	31 Dec 2007 US$
Assets		
Investment in Master Fund	1,358,815,196	1,188,220,992
Amounts receivable from Master Fund	305,445	416,429
Total assets	1,359,120,641	1,188,637,421
Liabilities		
Accrued incentive fee	10,329,924	-
Amounts payable on treasury shares	305,445	416,429
Total liabilities	10,635,369	416,429
Net assets	1,348,485,272	1,188,220,992
Equity		
Share capital	126,197	118,455
Share Premium	1,194,717,488	1,104,465,395
Capital Reserve in respect of share options	11,789,335	11,789,336
Earnings	141,852,252	71,847,806
	1,348,485,272	1,188,220,992
Shares outstanding	Number	Number
Participating shares	126,196,574	118,455,430
Net asset value per share		
Participating shares	US$10.69	US$10.03

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS

For the period ended 30 September 2008 and for the period ended 30 September 2007 (unaudited)

	Quarter Ended 30 Sep 2008 US$	Quarter Ended 30 Sep 2007 US$	9 Months Ended 30 Sep 2008 US$	9 Months Ended 30 Sep 2007 US$
Direct investment income				
Interest income	-	-	-	1,366
Direct investment income	-	-	-	1,366
Investment income allocated from the Master Fund				
Interest income	54,472,877	56,509,112	162,688,641	130,037,465
Investment income allocated from the Master Fund	54,472,877	56,509,112	162,688,641	130,037,465
Total investment income	54,472,877	56,509,112	162,688,641	130,038,831
Direct expenses				
Management fees	-	-	-	(4,046,952)
Incentive fee	(10,329,924)	(6,397,544)	(21,930,546)	(16,141,014)
Custodian fees	-	-	-	(38,878)
Audit fees	-	-	-	(7,093)
Directors' fees	-	-	-	(19,552)
Other operating expenses	-	-	-	(7,201)
Direct expenses	(10,329,924)	(6,397,544)	(21,930,546)	(20,260,690)
Operating expenses allocated from the Master Fund				
Management fees	(4,974,128)	(4,185,220)	(14,123,548)	(6,859,501)
Administration fees	(200,333)	(154,454)	(518,406)	(380,632)
Custodian fees	-	(109)	-	(1,892)
Legal and Professional fees	(112,479)	(199,446)	(413,039)	(243,245)
Audit fees	(92,447)	(81,735)	(238,688)	(160,487)
Directors' fees	(50,000)	(45,131)	(145,175)	(94,021)
Transfer agent fees	(33,158)	-	(109,249)	-
Other operating expenses	(336,409)	(151,319)	(605,164)	(175,305)
Interest expense	(3,017,787)	(5,706,151)	(11,388,798)	(12,588,177)
Operating expenses allocated from the Master Fund	(8,816,741)	(10,523,565)	(27,542,067)	(20,503,260)
Total operating expenses	(19,146,665)	(16,921,109)	(49,472,613)	(40,763,950)
Net investment income	35,326,212	39,588,003	113,216,028	89,274,881

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the period ended 30 September 2008 and for the period ended 30 September 2007 (unaudited)

	Quarter Ended 30 Sep 2008 US$	Quarter Ended 30 Sep 2007 US$	9 Months Ended 30 Sep 2008 US$	9 Months Ended 30 Sep 2007 US$
Net realized and unrealized gain / (loss) from investments and foreign currencies allocated from the Master Fund				
Net realized gain / (loss) from:				
Investments	-	40,266	303,684	695,055
Foreign currency transactions	19,409,958	(3,820,471)	(1,104,697)	(9,208,556)
Credit default swaps	14,499,885	2,254,341	19,731,448	1,605,787
	33,909,843	(1,525,864)	18,930,435	(6,907,714)
Net increase / (decrease) in unrealized appreciation / (depreciation) on:				
Investments	10,009,579	(772,763)	11,168,452	55,932
Forward foreign exchange contracts	4,355,043	(3,509,516)	2,477,163	(2,596,722)
Credit default swaps	(10,931,088)	162,095	(9,606,673)	656,072
Translation of assets and liabilities in foreign currencies	(23,918,958)	8,273,074	177,213	13,647,438
	(20,485,424)	4,152,890	4,216,155	11,762,720
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund	13,424,419	2,627,026	23,146,590	4,855,006
Net increase in net assets resulting from operations	48,750,631	42,215,029	136,362,618	94,129,887

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS

For the period ended 30 September 2008 and for the period ended 30 September 2007 (unaudited)

	9 Months Ended 30 Sep 2008 US$	9 Months Ended 30 Sep 2007 US$
Total investment income	162,688,641	130,038,831
Total operating expenses	(49,472,613)	(40,763,950)
Net realized gain/(loss) from investments and foreign currencies allocated from the Master Fund	18,930,435	(6,907,714)
Net unrealized gain from investments and foreign currencies allocated from the Master Fund	4,216,155	11,762,720
Net increase in net assets resulting from operations	136,362,618	94,129,887
Dividends paid to shareholders	(54,342,978)	(15,696,187)
Issue of redeemable preference shares	-	331,904,271
Issue of participating shares *	87,244,339	-
Issue of shares through global offering	-	435,940,338
Redemptions of redeemable preference shares	-	(90,204,825)
Global offering costs	-	(16,786,729)
Treasury shares	(8,999,699)	-
Increase in net assets resulting from net share transactions	78,244,640	660,853,055
Total increase in net assets	160,264,280	739,286,755
Net assets at start of period	1,188,220,992	476,959,524
Net assets at end of period	1,348,485,272	1,216,246,279

*Issue of participating shares include Shares issued under the Exchange Agreement and the Dividend Reinvestment Plan.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS

For the period ended 30 September 2008 and for the period ended 30 September 2007 (unaudited)

	9 Months Ended 30 Sep 2008 US$	9 Months Ended 30 Sep 2007 US$
Operating and investing activities		
Net increase in net assets resulting from operations	136,362,618	94,129,887
Adjustments for:		
Net unrealized appreciation on investments in Master Fund	(170,594,204)	(78,258,759)
Operating cash flows before movements in working capital	(34,231,586)	15,871,128
Decrease in receivables	110,984	-
Increase in accrued expenses	10,218,940	760,856
Cash flows from operations	(23,901,662)	16,631,984
Net purchase of investments	-	(654,209,850)
Cash (outflows) from operating and investing activities	(23,901,662)	(637,577,866)
Financing activities		
Issue of redeemable preference shares	87,244,339	331,904,271
Redemptions of redeemable preference shares	-	(90,204,925)
Issue of shares through global offering	-	435,940,338
Treasury shares	(8,999,699)	-
Equalization credit payable	-	(7,579,271)
Global offering costs	-	(16,786,729)
Dividends paid to shareholders	(54,342,978)	(15,696,187)
Cash inflows from financing activities	23,901,662	637,577,597
Net decrease in cash and cash equivalents	-	(269)
Cash and cash equivalents at beginning of period	-	269
Cash and cash equivalents at end of period	-	-

UNAUDITED QUARTERLY REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE PERIOD ENDED 30 SEPTEMBER 2008 AND FOR THE PERIOD ENDED 30 SEPTEMBER 2007

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2008 AND FOR THE PERIOD ENDED 30 SEPTEMBER 2007

CONTENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED
STATEMENTS OF ASSETS AND LIABILITIES
as at 30 SEPTEMBER 2008 (unaudited)

	30 Sep 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)	1,345,951,896	1,446,544,122
Cash and cash equivalents	366,708,702	209,237,922
Amounts due from brokers	57,024,317	36,860,768
Unrealized gain on forward contracts	526,560	317,732
Derivative financial assets- credit default swaps	-	11,267,718
Other receivables	328,736	935,562
Total assets	1,770,540,211	1,705,163,824
Liabilities		
Payables under repurchase and swap agreements	144,383,427	419,005,128
Unrealized loss on forward contracts	-	2,317,971
Derivative financial liabilities - credit default swaps	-	1,481,131
Bank overdraft	265,918,717	13,092,191
Amounts payable to feeder fund	305,445	416,429
Interest payable	831,923	3,878,818
Other payables and accrued expenses	285,503	534,200
Total liabilities	411,725,015	440,725,868
Net assets	1,358,815,196	1,264,437,956
Equity		
Share capital	126,197	126,054
Share Premium	1,141,925,375	1,141,737,834
Earnings	216,763,624	122,574,068
	1,358,815,196	1,264,437,956
Shares outstanding	Number	Number
Shares	126,196,574	126,053,607
Net asset value per share		
Shares	US$10.77	US$10.03

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF OPERATIONS
For the period ended 30 SEPTEMBER 2008 and for the period ended 30 SEPTEMBER 2007 (unaudited)

	Quarter Ended 30 Sep 2008 US$	Quarter Ended 30 Sep 2007 US$	9 Months Ended 30 Sep 2008 US$	9 Months Ended 30 Sep 2007 US$
Interest income	54,472,877	61,706,975	168,254,245	154,348,911
Investment income	54,472,877	61,706,975	168,254,245	154,348,911
Management fees	(4,974,128)	(4,772,478)	(14,585,744)	(8,141,934)
Administration fees	(200,333)	(166,821)	(534,511)	(451,794)
Custodian fees	-	-	-	(2,246)
Legal and professional fees	(112,479)	(233,537)	(431,283)	(288,721)
Audit fees	(92,447)	(91,267)	(246,261)	(190,491)
Directors' fees	(50,000)	(50,000)	(150,000)	(111,599)
Transfer agent fees	(33,158)	-	(112,943)	-
Other operating expenses	(336,409)	(177,859)	(621,414)	(208,080)
Interest expense	(3,017,787)	(6,270,630)	(11,835,507)	(14,941,628)
Operating expenses	(8,816,741)	(11,762,592)	(28,517,663)	(24,336,493)
Net investment income	45,656,136	49,944,383	139,736,582	130,012,418
Realized and unrealized gain/(loss) from investments and foreign currency				
Net realized gain / (loss) from:				
Investments	-	-	322,349	825,000
Foreign currency transactions	19,409,958	(4,141,453)	(2,385,457)	(10,930,162)
Credit default swaps	14,499,885	2,723,145	20,119,865	1,906,001
	33,909,843	(1,418,308)	18,056,757	(8,199,161)
Net increase / (decrease) in unrealized appreciation / (depreciation) on:				
Investments	10,009,579	(977,724)	10,806,962	66,389
Forward foreign exchange contracts	4,355,043	(4,232,271)	2,526,799	(3,082,198)
Credit default swaps	(10,931,088)	156,343	(9,786,587)	778,729
Translation of assets and liabilities in foreign currencies	(23,918,958)	9,427,503	1,471,054	16,198,925
	(20,485,424)	4,373,851	5,018,228	13,961,845
Net realized and unrealized gain from investments and foreign currencies	13,424,419	2,955,543	23,074,985	5,762,684
Net increase in net assets resulting from operations	59,080,555	52,899,926	162,811,567	135,775,102

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the period ended 30 SEPTEMBER 2008 and for the period ended 30 SEPTEMBER 2007 (unaudited)

	9 Months Ended 30 Sep 2008 US$	9 Months Ended 30 Sep 2007 US$
Investment income	168,254,245	154,348,911
Operating expenses	(28,517,663)	(24,336,493)
Net realized gain / (loss) from investments and foreign currency	18,056,757	(8,199,161)
Net unrealized appreciation on investments and translation of assets and liabilities in foreign currencies	5,018,228	13,961,845
Net increase in net assets resulting from operations	162,811,567	135,775,102
Dividends paid to shareholders	(68,622,012)	(23,190,989)
Issue of shares	9,187,384	711,504,681
Redemption of shares	-	(109,034,278)
Treasury shares	(8,999,699)	-
Global offering costs	-	(19,925,129)
Increase in net assets resulting from net share transactions	187,685	582,545,274
Total increase in net assets	94,377,240	695,129,387
Net assets at start of period	1,264,437,956	606,123,240
Net assets at end of period	1,358,815,196	1,301,252,627

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENTS OF CASH FLOWS
For the period ended 30 SEPTEMBER 2008 and for the period ended 30 SEPTEMBER 2007 (unaudited)

	9 Months Ended 30 Sep 2008 US$	9 Months Ended 30 Sep 2007 US$
Operating and investing activities		
Net increase in net assets resulting from operations	162,811,567	135,775,102
Adjustments for:		
Realized gain on investments	(322,349)	(825,000)
Non cash interest income on investments	105,585,526	(46,734,963)
Unrealized gains	(5,018,229)	(13,961,845)
Operating cash flows before movements in working capital	263,056,515	74,253,294
Decrease / (Increase) in receivables	11,665,717	(575,346)
(Decrease) / Increase in payables	(7,205,678)	3,133,018
Cash flows from operations	267,516,554	76,810,966
Proceeds from repayments on investments	322,349	91,964,869
Purchase of investments	-	(784,010,099)
Cash inflows / (outflows) from operating and investing activities	267,838,903	(615,234,264)
Financing activities		
Amounts due from brokers	(20,163,549)	-
Proceeds from issue of shares	9,187,384	711,504,681
Payments on redemption of shares	-	(109,034,278)
Global offering costs	-	(19,925,129)
Treasury shares	(8,999,699)	-
Dividends paid to shareholders	(68,622,012)	(23,190,989)
Receipts from repurchase and swap agreements	(274,621,701)	171,727,004
Bank overdraft	252,826,526	-
Cash inflows / (outflows) from financing activities	(110,393,051)	731,081,289
Net increase in cash and cash equivalents	157,445,852	115,847,025
Cash and cash equivalents at beginning of period	209,237,922	117,859,435
Effect of exchange rate fluctuations on cash and cash equivalents	24,928	(439,321)
Cash and cash equivalents at end of period	366,708,702	233,267,139