DELAFIELD FUND INCORPORATED

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October 15, 2008

Dear Fellow Shareholders:

The past quarter was very difficult and disappointing for our Fund, our net asset value declined 6.24% versus a decrease of 8.37% in the Standard & Poor's 500 and a decrease of 1.11% in the Russell 2000, each on a total return basis.* The Fund's net asset value as of September 30, 2008 was $21.49 per share. The net asset value amounted to $577,352,664, of which 82% was invested in equities with the balance held in reserve.

In the past several weeks we have witnessed the worst financial storm we have ever encountered. Fortunately we have reserves and the companies we have invested in we believe to be strong. But this turmoil will impact business conditions and undoubtedly reduce the earnings outlook for most companies in the immediate future. As conditions normalize, we believe the earnings and stock market valuations of our holdings should recover and growth should resume.

As we write, worldwide economies are suffering indigestion from the enormous increase in leverage taken on by the financial system over the past decade. Now, the chickens have come home to roost. Financial companies which borrowed far too heavily, when the world was awash in liquidity, have come under extreme stress. Rescues of major institutions have been forced upon governments around the world, notably including Bear Stearns, Fannie Mae, Freddie Mac and AIG by the U.S. Government, while Merrill Lynch was forced into a merger with Bank of America, and Wachovia has agreed to be acquired by Wells Fargo, while some, such as Lehman Brothers, have been allowed to fail.

The impact of these financial pressures on consumers has yet to be felt with full force. The consumer will be under great stress due to borrowings on credit cards, auto loans, home equity loans and mortgages, while the value of their houses and net worth has declined. Meanwhile, the huge run up in energy prices has only recently moderated and will further squeeze disposable income. The result is likely to be soft retail sales and the weakening of many companies which serve that sector. Moreover, unemployment is rising which will exacerbate the situation. Thus, it is becoming apparent that the U.S. is in a recession, as is most of Western Europe. So there is plenty to be concerned about.

Adding to investors' sense of unease is the upcoming election and the direction the country will take especially with regard to increased regulation and taxation. Stirred into this muddled pot is the unsettled state of the world, with unrest in Georgia, Iraq, Afghanistan, Pakistan, Iran, Zimbabwe, Somalia, Nigeria and Sudan constantly in the news. On the positive side, we expect that Asia, particularly China and India, will continue to show growth, albeit at a reduced pace, and help to pull the world forward.

Uncertain world conditions are nothing new, but the volatility and duress which has been brought to bear on the economy by the stresses in the financial system are different from any we have seen in recent history and are extremely worrying. We expect that resources thrown at these problems, whether the recent $700 billion Troubled Asset Relief Program (TARP), that helps provide liquidity to the financial system, or the expansion of the Federal Reserve's balance sheet, or the rescue of additional financial institutions in Europe, will eventually stabilize the situation. But this process will take time and is extraordinarily complicated.

While housing prices have fallen over the past year, they have not yet reached equilibrium in relationship to income. Since there is a large oversupply of unsold houses awaiting owners, normalization will take time.

We have suffered through many difficult markets over the years including 1962, 1973-74, the early 1980s, 1987, the 90s, September 11, 2001, and the Dot.com era of 2001-2002. But we have never witnessed such volatility. Our fund increased or decreased in value by more than 1% in 32 of the 64 trading days during the quarter. In this environment we plan to keep our reserves relatively high and to offset gains previously taken to avoid paying unnecessary taxes.

*** The performance data quoted above represents past performance. Past performance does not guarantee future results. The investment return and principle value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. The current performance may be lower or higher than performance data quoted.**

Please visit our website (www.delafieldfund.com) to obtain the most recent month-end performance data.

It is well worth remembering that sound companies do not become worthless overnight nor do they become worth a fraction of their true value in a matter of weeks. Day-to-day prices are a stock market phenomenon, not a reflection of the intrinsic value of a business. Thus we must have patience and hold on to attractive businesses which are temporarily selling at prices which discount their true value. Vince and I are among the larger individual investors in our fund and look forward to a recovery. America is a strong country and we believe good companies will rebound in value. Nonetheless, the past quarter and early October have been one of the worst periods which we have experienced.

We invest in companies, whose businesses and strategies we can understand, at a price which appears to undervalue the franchise. In general our companies are cash strong and cash generative, allowing them to make good strategic acquisitions in an uncertain period and/or to repurchase their shares if they are selling at prices which offer an attractive return on investment.

We initiated a position in Ashland Inc. during the quarter as the shares came under pressure following the company's announced $3.3 billion acquisition of Hercules Incorporated. The Hercules acquisition is expected to close in November and will further the company's progress towards becoming a higher value, more profitable specialty chemicals business. Though modestly dilutive in its first year, the acquisition is expected to generate at least $50 million in annual cost savings and we believe Ashland could post substantially higher earnings in the next several years. CEO Jim O'Brien has proven adept at managing the early phases of Ashland's transformation and we believe he can successfully integrate the Hercules operations. At about 5x forward looking EBITDA, the shares represent a compelling value.

WESCO International, Inc. is a $6 billion in sales company engaged in the distribution of electrical products. It supplies mundane, but necessary, products such as wiring, fittings, testers and MRO supplies, among others. Its customer base cuts across a broad spectrum of the economy. The company has been acquisitive in recent years resulting in leverage of nearly 3x debt/EBITDA. Capital has also been deployed to purchase nearly $500 million of stock over the last two years.

With free cash flow in excess of $200 million per year, the debt is quite manageable. The stock is valued at less than 6x the current year's estimated after tax earnings. The shares appear good value.

During the quarter we initiated a position in Solutia Inc., a $4 billion in revenues global manufacturer with leading market shares in most of their product lines. Solutia's primary products include laminate for auto and building glass, coated films for autos, heat transfer and aviation fluids and solvents and nylon products used in carpets, tires and apparel. The company emerged from Chapter 11 bankruptcy earlier this year and more recently went through an accretive recapitalization, whereby the company issued shares and used the proceeds to repay a high interest legacy bridge loan. Management has stated its intention to divest the non-strategic nylon products business and to use the proceeds of the sale to further improve the balance sheet and invest in the growth of its high margin specialty applications businesses. With 85% of revenues generated internationally, Solutia is relatively well protected from a slowdown in the U.S. At current prices, the stock is a reasonable value.

Barnes Group Inc. is a $1.5 billion in sales company operating in three distinct segments: aerospace, distribution and industrial products. Their businesses are international in scope. In the aerospace and industrial businesses, they are manufacturers of precision metal components with a strong aftermarket representation. In the distribution segment their focus is VMI (vendor managed inventories) of small industrial products across a wide range of industries. The company has done a good job improving the profitability in its manufacturing businesses with operating margins of 20% in aerospace and 15% in industrial. Their problem business has been distribution, where the adjusted operating margin is less than 5%. Within this segment the international operation is losing money, while the North American piece is earning a healthy 10% margin. We expect management to improve the international results as they implement new systems and install new management; if not successful the capital should be redeployed. The other issue facing the company is the Boeing strike. Given their exposure to both Boeing and their supplier base, there is obvious uncertainty on a near term basis. Because of this, the company recently withdrew earnings' guidance, until the strike is resolved. Despite this uncertainty their franchise is strong and the strike will eventually be settled. Selling at less than 6 x EV/EBITDA with solid cash flows and strong market positions, the shares are attractively priced.

OM Group, Inc. is a $1.7 billion in sales global producer of value-added metal based specialty chemicals and advanced materials. The company's materials are largely cobalt based and used in the manufacture of a range of end products, including coatings, detergents, lubricants, fuel additives, and rechargeable batteries. OM Group is led by a strong management team that is executing a diversification strategy away from dependence on price volatile commodity metals into more value-added and predictable specialties businesses that should create shareholder value over time. To-date, management has divested the company's nickel business and has acquired a printed circuit board materials business as well as a specialty coatings additive supply company. OM Group has a strong balance sheet with nearly $90 million in net cash and should generate strong free cash flow of $3-$4 per share. We took the opportunity to establish a position as the shares have recently dropped on concerns that falling cobalt prices and increased industry capacity could impact near term profits.

Rockwell Automation, Inc. is a $5.5 billion in sales company which provides industrial automation controls and information systems. They are among the market leaders on a worldwide basis. Their brands, amongst others, include Rockwell and Allen Bradley. The company has been moving from discreet automation component to a solution based entity. To better accomplish this, they have made several niche acquisitions while divesting their $1 billion motor business.

In recent weeks the shares of Rockwell have witnessed a significant decline as the company reduced earnings expectations due to a slowing worldwide environment. They have taken actions to adjust their cost structure such that earnings could remain near the $4 per share level in the coming year. At the current price, Rockwell is trading under 5x EV/EBITDA. Generating strong free cash flow with a clean balance sheet the shares seem attractive.

We are aware that many shareholders have not been receiving our quarterly letters since they may not be distributed to those who are not direct shareholders of the Fund. Accordingly, anyone who wishes to be on our mailing list should either call Cleo Kotis or write to us and we will be happy to add you to the list. Cleo can be reached at (212) 830-5452.

With very best wishes.

Sincerely,

J. Dennis Delafield
Chairman
Tel. 212.830.5454

Vincent Sellecchia
President
Tel. 212.830.5456

P.S. The net asset value per share of the Fund is determined as of the close of regular trading on the New York Stock Exchange (normally 4:00 P.M., Eastern Time) on each Fund Business Day (as fully described in the Fund prospectus). In addition to the Fund's published NASDAQ listing (symbol: DEFIX), you may check its net asset value by calling 800.221.3079 (or, 212.830.5220) to speak directly to a Fund representative during the normal business hours of 8:30 A.M. - 5:30 P.M., Eastern Time. During off business hours, you may use the same telephone numbers for a pre-recorded message. The 3-digit code number for the Delafield Fund is 819.

Our website address is: www.delafieldfund.com.

TOTAL RETURN WITH INCOME*

Cumulative	Delafield Fund**	Indices: S&P 500 Total†	Indices: Russell 2000 Total†
Quarter ended September 30, 2008	(6.24)%	(8.37%)	(1.11)%
Nine months ended September 30, 2008	(11.67)	(19.29)	(10.38)
One year ended September 30, 2008	(14.82)	(21.98)	(14.48)
Inception, November 19, 1993 to September 30, 2008	453.99	231.26	229.60
Annual Average			
One year ended September 30, 2008	(14.82)	(21.98)	(14.48)
Three years ended September 30, 2008	4.73	0.22	1.83
Five years ended September 30, 2008	10.14	5.17	8.15
Ten years ended September 30, 2008	13.20	3.06	7.81
Inception, November 19, 1993 to September 30, 2008	12.20	8.39	8.36

TEN LARGEST HOLDINGS‡

Company	% of Net Assets
Flextronics International Ltd.	5.21%
Ashland Inc.	2.94
Albany International Corp.	2.84
Acuity Brands Inc.	2.78
Cytec Industries Inc.	2.59
Hercules Incorporated	2.57
Checkpoint Systems, Inc.	2.36
Kennametal Inc.	2.35
Honeywell International Inc.	2.34
Vishay Intertechnology Inc.	2.29
TOTAL	**28.27%**

FEES[a]

Shareholder Fees

(fees paid directly from your investment)

Maximum Sales Charge Imposed on Purchases		None
Maximum Deferred Sales Charge		None
Maximum Sales Charge Imposed on Reinvested Dividends		None
Redemption Fee for Shares held 90 days or less (as a percent of amount redeemed)		2.00%

Annual Fund Operating Expenses[b]

(expenses that are deducted from Fund assets)

Management Fee		0.75%
Distribution and Service (12 b-1) Fees		0.25%
Other Expenses		0.33%
Administrative Fees	0.21%	
Total Annual Fund Operating Expenses		**1.33%**

ASSET MIX

	9/30/08	6/30/08	3/31/08	12/31/07	9/30/07
Equities	81.79%	81.65%	88.02%	90.84%	79.06%
Warrants	0.00	0.01	0.02	0.02	0.04
Cash Equivalents	18.21	18.34	11.96	9.14	20.90
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

* **The performance data quoted above represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. The current performance may be lower or higher than performance data quoted.**

Please visit our website (www.delafieldfund.com) to obtain the most recent month-end performance data.

The Delafield Fund may invest in the stocks of smaller companies which carry special risks including, narrower markets, limited financial and management resources, less liquidity, and greater volatility than the stocks of larger companies. The Fund's investments, which are often value or special situations, are likely to not correlate with the overall market averages. Hence, there may be periods when the Fund's performance may lag these measures.

Kindly consider the investment objectives, risks, and charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. Please contact us to obtain a prospectus, which should be read carefully before investing.

Delafield Fund, Inc. is distributed by Natixis Distributors, L.P., 399 Boylston Street, Boston, MA 02116.

** Delafield Fund, Inc. performance is stated after fees.

† The S&P 500 Index is an unmanaged broad market-weighted average of U.S. blue-chip companies and the Russell 2000 Index is an unmanaged, market-weighted index, with dividends reinvested, of 2,000 small companies, formed by taking the largest 3,000 companies and eliminating the largest 1,000 of those companies. You may not invest directly in the S&P 500 Index or the Russell 2000 Index and, unlike the Fund, they do not incur fees and expenses.

‡ Holdings are expressed as a percentage of total investments and will vary over time. Because the Fund is actively managed there can be no assurances the Fund continues to invest in the securities referenced. Additionally, references to specific securities or industries should not be considered a recommendation for investors.

(a) Represents information from the most current prospectus, dated April 29, 2008.

(b) **The Gross Expense Ratio of 1.33% does not reflect any potential reimbursement/waiver of expenses as stated in the most recent Fund prospectus. The Net Expense Ratio of 1.28% reflects the reimbursement/waiver of expenses, if any, as stated in the most recent Fund prospectus. Please Note: Fund Expenses and Expense Reductions are subject to change. Expense Reductions are voluntary and investors should consult the most recent Fund prospectus for more detail information.**

STATEMENT OF NET ASSETS

September 30, 2008
(Unaudited)

Common Stocks (81.79%)	Shares	Value (Note 1)
Aerospace & Defense (2.34%)		
Honeywell International Inc.	325,000	$ 13,503,750
Building Products (1.97%)		
Griffon Corporation*	325,000	2,931,500
NCI Building Systems, Inc.*	80,000	2,540,000
Quanex Building Products Corporation	386,000	5,882,640
		11,354,140
Chemicals (16.36%)		
Ashland Inc.	580,000	16,959,200
Chemtura Corp.	640,000	2,918,400
Cytec Industries Inc.	385,000	14,980,350
Eastman Chemical Company	230,000	12,663,800
Ferro Corporation	325,000	6,532,500
Hercules Incorporated	750,000	14,842,500
OM Group, Inc.*	330,000	7,425,000
PolyOne Corporation*	550,000	3,547,500
Solutia Inc.*	725,000	10,150,000
Spartech Corporation	449,200	4,447,080
		94,466,330
Commercial Services & Supplies (2.00%)		
Deluxe Corporation	300,000	4,317,000
R.R. Donnelley & Sons Company	295,000	7,236,350
		11,553,350
Computers & Peripherals (1.53%)		
Intermec Inc.*	450,000	8,838,000
Containers & Packaging (0.25%)		
Owen-Illinois, Inc.*	50,000	1,470,000
Electrical Equipment (8.49%)		
Acuity Brands Inc.	385,000	16,077,600
Belden Inc.	140,000	4,450,600
Brady Corporation	375,000	13,230,000
Hubbell Incorporated	175,000	6,133,750
Rockwell Automation, Inc.	245,000	9,148,300
		49,040,250
Electronic Equipment & Instruments (11.07%)		
Checkpoint Systems, Inc.*	725,000	13,644,500
Flextronics International Ltd.*	4,250,000	30,090,000
Gerber Scientific, Inc.*	400,000	3,656,000
LeCroy Corporation*	424,800	3,266,712
Vishay Intertechnology Inc.*	2,000,000	13,240,000
		63,897,212
Energy Equipment & Services (0.22%)		
Weatherford International Ltd.*	50,000	1,257,000
Health Care Equipment & Supplies (0.87%)		
Kinetic Concepts, Inc.*	175,000	5,003,250
Household Durables (4.01%)		
Leggett & Platt, Incorporated	300,000	6,537,000
Lifetime Brands, Inc.	526,800	5,136,300
(The) Stanley Works	275,000	11,478,500
		23,151,800
Industrial Conglomerates (2.92%)		
Carlisle Companies Incorporated	340,000	10,189,800
Tyco International Ltd.	190,000	6,653,800
		16,843,600
Life Science Tools & Services (0.95%)		
Thermo Fisher Scientific Inc.*	100,000	5,500,000

Common Stocks (Continued)	Shares	Value (Note 1)
Machinery (9.67%)		
Albany International Corp.	600,000	$ 16,398,000
Barnes Group Inc.	600,000	12,132,000
Crane Co.	325,000	9,655,750
Harsco Corporation	110,000	4,090,900
Kennametal Inc.	500,000	13,560,000
		55,836,650
Metals & Mining (2.58%)		
Commercial Metals Company	335,000	5,658,150
Kaiser Aluminum Corporation	215,000	9,234,250
		14,892,400
Oil, Gas & Consumable Fuels (1.95%)		
Southern Union Company	545,000	11,254,250
Paper & Forest Products (0.66%)		
Schweitzer-Mauduit International, Inc.	200,000	3,798,000
Professional Services (2.59%)		
MPS Group, Inc.*	875,000	8,820,000
Trueblue, Inc.*	379,900	6,139,184
		14,959,184
Real Estate Investment Trust (0.90%)		
Kimco Realty Corporation	140,000	5,171,600
Semiconductors & Semiconductor Equipment (3.32%)		
Fairchild Semiconductor International, Inc.*	950,000	8,445,500
International Rectifier Corp.*	70,000	1,331,400
Teradyne, Inc.*	1,200,000	9,372,000
		19,148,900
Specialty Retail (2.38%)		
Collective Brands, Inc.*	330,000	6,042,300
Foot Locker, Inc.	475,000	7,676,000
		13,718,300
Textile, Apparel & Luxury Goods (0.84%)		
Maidenform Brands, Inc.*	335,000	4,860,850
Trading Companies & Distributors (3.92%)		
RSC Holdings Inc.*	625,000	7,100,000
Rush Enterprises, Inc. Class A*	625,000	8,000,000
WESCO International, Inc.*	235,000	7,562,300
		22,662,300
Total Common Stocks (Cost $512,395,391)		**$ 472,181,116**
Warrants (0.00%)		
Clark Holdings Inc.*	410,000	20,500
Total Warrants (Cost $465,970)		**$ 20,500**

Short-Term Investments (20.05%)	Face Amount	Value (Note 1)
Investment Company (20.05%)		
Daily Income Fund – Money Market Portfolio – Institutional Shares	$115,763,000	115,763,000
Total Short-Term Investments (Cost $115,763,000)		**$ 115,763,000**
Total Investments (101.84%) Cost $628,624,361†)		**587,964,616**
Liabilities in excess of cash and other assets, (-1.84%)		**(10,611,952)**
Net Assets (100.00%), 26,864,364 shares outstanding		**$ 577,352,664**
Net asset value, offering and redemption price per share:		**$ 21.49**

* Non-income producing.

† Aggregate cost for federal income tax purposes is $629,638,809. Aggregate gross unrealized appreciation and depreciation are based on cost for federal income tax purposes, $29,718,083 and $71,392,276 respectively, resulting in net depreciation of $41,674,193.

Note 1: Securities traded on a national securities exchange are valued at the last recorded sales price on the last business day of the fiscal period. Common stocks for which no sale was reported on that date and over-the-counter securities are valued at the mean between the last reported bid and asked prices. All short-term investments are valued at amortized cost which approximates market value.