

**2007**  
**Annual Management Report of Fund Performance**  
**and**  
**Annual Financial Statements**

**Tradex Bond Fund**

**December 31, 2007**

You may get a copy of the Fund's Simplified Prospectus, Annual Information Form, and quarterly portfolio disclosure at your request, and at no cost, by calling Tradex Management Inc. toll-free at **1-800-567-3863**, e-mailing us at **info@tradex.ca** or by writing or visiting us at the address shown below.

These documents and other information about the Fund are also available through our website at **www.tradex.ca** or through the SEDAR website at **www.sedar.com**.

**Tradex Management Inc.**  
**50 O'Connor Street, Suite 920**  
**Ottawa, Ontario**  
**K1P 6L2**

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## TRADEX BOND FUND STATEMENT OF MANAGEMENT'S RESPONSIBILITY

To our unitholders,

The accompanying Management Report of Fund Performance and Financial Statements have been prepared by Tradex Management Inc., the Manager and Trustee of **Tradex Bond Fund** and approved by the Manager's Board of Directors. The Fund's Manager is responsible for the information and representations contained in the Management Report of Fund Performance and Financial Statements. The Management Report of Fund Performance in the front section of this document is unaudited, whereas the Financial Statements appearing in the second section are audited.

Tradex Management Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies that management believes are appropriate for the Fund are described in Note 2 to the Financial Statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the Manager-Trustee of the Fund. They have audited the Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements.

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R.C. White  
President and Chief Executive Officer  
Tradex Management Inc.

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A.F. Campbell  
Treasurer and Chief Financial Officer  
Tradex Management Inc.

March 20, 2008



# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the year ended December 31, 2007

## I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment objectives and strategies

The Fund's objective is to achieve a combination of interest income and long-term capital preservation by investing in a diversified portfolio of Government of Canada, provincial government and investment grade corporate bonds. The average term to maturity of the portfolio must be greater than three years.

The overall strategy is to construct the portfolio using computerized optimization techniques to enhance returns and control risk. Risk is reduced through investment in Government of Canada bonds and provincial government bonds. Corporate bonds with a credit rating of single A or better are also included in the portfolio up to a limit of 40 percent of the total value of the investment portfolio. TD Asset Management Inc., Toronto is the portfolio manager.

No part of the portfolio may be invested in foreign bonds or in derivatives.

### Risk

All mutual funds involve some level of risk. Simply put, risk is the possibility you will lose money or not make money on your investment. As you consider an investment in a mutual fund, consider not just what you hope to gain on the upside, but also what you're prepared to risk on the downside. The value of the units in a mutual fund is directly related to the market value of each fund's investments. Therefore, the value of the units goes up or down depending upon various factors.

Mutual funds that invest in bonds will be affected primarily by the general movement in interest rates and the credit rating of the issuers of the investments. An increase in interest rates will generally cause the value of bonds to decline; conversely, a decrease in interest rates will generally cause the value of those securities to increase. Also, as the term to maturity of the bonds in a portfolio lengthens, the variability of interest rates generally increases, along with bond prices.

Government of Canada bonds have minimal credit risk. They are also easily bought and sold, reducing any liquidity risk. Provincial government bonds are guaranteed by the issuing province and are also easily bought and sold, thus further reducing any liquidity risk. Corporate bonds with a single A credit rating provide substantial protection of interest and principal, with corporate bonds having a higher rating offering even better protection. To avoid currency risk, only bonds denominated in Canadian currency will be in the Fund's portfolio.

The Fund is suitable for those prepared to accept some fluctuation in unit values in return for potentially higher income than money market mutual funds. They may be looking to balance their equity investments with fixed income, or require regular quarterly income.

The Fund is not appropriate for an investor with an investment horizon of less than two years.

### Results of Operations

The Fund's investment guidelines state that, in normal times, approximately one-third of the Fund's assets will be invested in Government of Canada bonds (versus the benchmark weighting of approximately 42%) with the remainder allocated to provincial and corporate bonds as determined by TD Asset Management's quantitative models (the maximum for corporate bonds is 40%). The goal is to enhance the running yield on the portfolio versus the DEX Universe Bond Index (formerly the SCM Universe Bond Index) while at the same time ensuring that the level of risk is contained. The trend in the overall portfolio allocation during 2007 is shown in the following table:

	Dec. 31, 2006	June 30, 2007	Dec.31, 2007
Government of Canada bonds	32%	33%	32%
Provincial Government bonds	37%	28%	29%
Corporate bonds	31%	39%	39%
Total	100%	100%	100%

During 2007 trading activity was light and the proportion of the Fund's assets held in bonds issued or guaranteed by the Government of Canada was maintained close to the 33% guideline. In the second quarter, TD Asset Management invested slightly less than 10% of the Fund's assets in a Canadian dollar denominated bond issued in Canada that is guaranteed by the Government of Germany (a "maple bond" with a triple-A rating). Since this bond is not issued or guaranteed by the federal government or a provincial government it has been classified in the portfolio as a corporate bond. As a result of this purchase, the proportion of "corporate bonds" increased from 31% of the portfolio value at the beginning of the year to approximately 39% throughout the second half of the year.

At year-end, the portfolio consisted of 62 individual bond issues, including 41 corporate issues. The relatively large number of issues in the corporate portion of the portfolio further controls risk. The duration of the portfolio (a measure of portfolio term to maturity and sensitivity to interest rate changes) at year-end was 6.6 years compared to 6.7 years for the DEX Universe Bond Index. The weighted average term to maturity of the portfolio was 9.8 years at year-end.

During the first half of the year both the Bank of Canada and the U.S. Federal Reserve kept their key policy interest rate unchanged. However, while bond yields were very stable during the first quarter they moved sharply higher during the second quarter as both economic growth and the inflation rate in Canada came in higher than expected. At the same time, there were a number of signs that U.S. economic growth was also picking up. In mid-June, when yields peaked, interest rates on 5-year and under Government of Canada bonds reached their highest levels in 5-6 years while the yield on the 10 year maturity was at its highest level in almost 3 years. As expected, in early July the Bank of Canada raised its policy interest rate by 25 basis points and also indicated that "some modest further increase in the overnight rate may be required".

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

However, sentiment in the bond market changed dramatically during the summer due to the emergence of the sub-prime mortgage problems in the U.S. The problems spread during the fourth quarter related to the valuation of a wide range of structured products (primarily asset backed instruments) and as the anticipated losses on U.S. sub-prime mortgages grew. The turmoil in credit markets and continuing weakness in the U.S. housing sector also led to a further slowing in U.S. economic growth and the possibility that the U.S. could move into a recession. In response to these developments, the U.S. Federal Reserve lowered its policy interest rate by a total of 100 basis points, to 4.25%, during the second half the year. Meanwhile, the Bank of Canada lowered its policy rate by 25 basis points to 4.25% during the fourth quarter. In this environment, yields on Government of Canada bonds moved sharply lower during the second half of 2007 and finished the year slightly lower than in 2006. However, as a result of the turmoil in fixed income markets, interest rate spreads between government bonds and corporate bonds widened substantially during the second half of the year.

Over the year, the return per unit was 2.6%. Quarterly distributions totaled 41.5 cents per unit. The Fund's objective is to be ranked in the first or second quartile among Canadian bond funds for performance over moving five-year periods; a goal that it achieved for the 5-year period by ranking in the second quartile. For 2007, the Fund ranked in the first quartile due to its low Management Expense Ratio and the relatively high proportion of government bonds in its investment portfolio as interest rate spreads between government bonds and corporate bonds widened during the second half of the year.

The Fund's Management Expense Ratio (MER) declined to 1.07% in 2007 from 1.22% in 2006 and 1.28% in 2005. This is well below the average expense ratio for Canadian bond funds (The Globe and Mail reports that the average MER for Canadian bond funds is 1.75%). At year-end, the net asset value of the Fund stood at \$9.9 million compared to \$10.4 million at the end of 2006.

### II. FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

#### The Fund's Net Assets per Unit (1)

For the five years ended December 31

	2007	2006	2005	2004	2003
Net asset per unit, beginning of year	\$ 10.15	\$ 10.31	\$ 10.22	\$ 10.10	\$ 10.07
Increase (decrease) from operations:					
Total revenue	\$ 0.52	\$ 0.55	\$ 0.55	\$ 0.58	\$ 0.60
Total expenses	\$ (0.11)	\$ (0.12)	\$ (0.13)	\$ (0.14)	\$ (0.15)
Realized gains (losses) for the year	\$ (0.14)	\$ (0.04)	\$ 0.17	\$ 0.06	\$ 0.06
Unrealized gains (losses) for the year	\$ (0.02)	\$ (0.12)	\$ (0.07)	\$ 0.06	\$ (0.03)
Total increase from operations (2)	\$ 0.25	\$ 0.27	\$ 0.52	\$ 0.56	\$ 0.48
Distributions:					
From investment income	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.45	\$ 0.45
Total Annual Distributions (3)	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.45	\$ 0.45
Net asset per unit, end of year	\$ 9.99	\$ 10.15	\$ 10.31	\$ 10.22	\$ 10.10

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the year.

(3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data	2007	2006	2005	2004	2003
Total net asset value, end of year (000's)	\$ 9,880	\$ 10,416	\$ 10,990	\$ 11,596	\$ 12,041
Weighted average net asset value (000's)	\$ 9,922	\$ 10,541	\$ 11,262	\$ 11,780	\$ 12,122
Number of units outstanding, end of year (000's)	989	1,026	1,066	1,135	1,193
Management expense ratio (1)	1.07%	1.22%	1.28%	1.42%	1.53%
Management expense ratio before waivers or absorptions (1)	1.57%	1.64%	1.58%	1.58%	1.53%
Portfolio turnover rate (2)	84.36%	42.32%	109.37%	245.60%	313.56%
Net asset value per unit, end of year	\$ 9.99	\$ 10.15	\$ 10.31	\$ 10.22	\$ 10.10

(1) Management expense ratio is based on total expenses for the year and is expressed as an annualized percentage of daily average net asset value during the year.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of a fund.

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

### Management Fees

As the Manager, Tradex Management Inc. is responsible for directing the business, operations and affairs of the Fund. It performs this duty for an annual fee of 0.6% of the Fund's net asset value, calculated and accruing daily. This amounted to \$63,476 in 2007 (including GST) and represents slightly more than 40% of the total expenses paid by the Fund. Many of the functions involved in operating the Fund are contracted out to leading professional firms in the mutual fund industry in Canada. Therefore, one of the key duties of the Manager is to negotiate and manage these contracts. Tradex Management Inc. is also the principal distributor of the Fund and, as such, is responsible for most of the communications with the Fund's unitholders and potential unitholders. Tradex Management Inc. receives no additional fees or commissions for being the Fund's principal distributor and pays a trailer fee of 0.3% from its management fee to other mutual fund dealers who distribute the Fund.

Since Tradex Management Inc. operates on an "at cost" basis for the benefit of its investors, when financial conditions permit, it

voluntarily rebates and/or waives a portion of the management fees paid to it by the Fund. These rebates/waivers reduce the expenses for the Fund, which in turn, reduce its management expense ratio. In 2007, \$49,820 in expenses were reduced for the Fund through such transactions.

### Other Expenses

The other expenses incurred by the Fund amounted to \$92,815 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to TD Asset Management Inc.), administrative fees paid for fund accounting, the registrar function and other related activities (paid to Citigroup Fund Services Canada Inc., FundSERV Inc., The Canada Trust Company and various others suppliers), audit fees (paid to PricewaterhouseCoopers LLP), custodian fees (paid to CIBC Mellon Global Securities Services Company) and registration fees and expenses paid to the 13 securities regulatory authorities in Canada. A listing of the various expenses paid by the Fund appears in the audited Statement of Operations on page 8.

### III. PAST PERFORMANCE

The past performance of the Fund is set out in the Year-by-Year Returns and Annual Compound Returns chart and table. All performance returns:

- are calculated as of December 31 of each year;
- assume all distributions made by the Fund were reinvested without charge to purchase additional units of the Fund; and
- are not reduced by any income taxes payable by you. You will be taxable on the distributions of net income even if you have reinvested them to purchase additional units, unless your investment is held in a registered tax plan.

The past performance of the Fund does not necessarily indicate how it will perform in the future.

#### Year-by-Year Returns

This bar chart shows the Fund's annual performance in each of the past ten years. The chart shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each of the ten years, and how the performance varied from year to year.



#### Annual Compound Returns

The following table shows the Fund's annual compound total return for the periods indicated, as of December 31, 2007, compared to the DEX Universe Bond Total Return Index (formerly the Scotia Capital Markets Universe Bond Total Return Index).

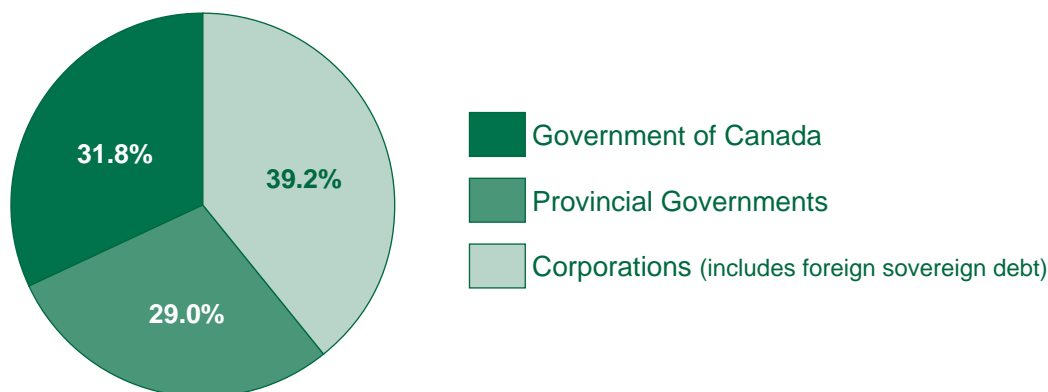
	Past 10 years	Past 5 years	Past 3 years	Past year
Tradex Bond Fund	4.9%	4.2%	3.5%	2.6%
DEX Universe Bond Total Return Index	6.3%	5.6%	4.7%	3.7%

The DEX Universe Bond Total Return Index is the broadest and most widely used measure of total return for the Canadian bond market, covering over 1,000 marketable Canadian bonds with term to maturity of more than 1 year. The Index is comprised of Canadian federal, provincial, municipal and corporate bonds rated BBB or higher. Bonds are weighted on a market value basis, including accrued interest.

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

### IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at December 31, 2007 broken down by the category of issuer is as follows:



The following investments represent the 25 largest holdings of the Fund as of December 31, 2007 shown as a percentage of the Fund's net asset value. The list is of interest only as of the date indicated, as the percentages may have changed, and some or all of the holdings may have been sold and new positions purchased. A quarterly update is available as discussed on the cover page of this document.

Farm Credit Canada, 4.55%, April 12, 2021	15.0%	Canada Housing Trust, 4.10%, December 15, 2008	2.4%
Kreditanstalt fuer Wiederaufbau, 4.95%, October 14, 2014 *	9.5%	Wells Fargo Financial Corporation Canada, 5.00%, June 16, 2008	2.3%
Canada Mortgage and Housing Corporation, 4.35%, February 1, 2017	5.2%	Province of Nova Scotia, 5.40%, June 1, 2009	1.9%
Alberta Capital Finance Authority, 4.65%, June 15, 2017	4.9%	Province of Nova Scotia, 6.40%, September 1, 2010	1.6%
OMERS Realty Corporation, 5.48%, December 31, 2012	4.9%	Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012	1.4%
Hydro One Inc., 4.00%, June 23, 2008	4.8%	Royal Bank of Canada, 5.95%, June 18, 2103	1.2%
Government of Canada, 5.00%, June 1, 2037	4.2%	Gaz Metro Limited Partnership, 6.05%, November 10, 2008	1.1%
Province of Saskatchewan, 5.25%, December 3, 2012	3.9%	Hydro-Quebec, 5.00%, February 15, 2045	1.1%
Alberta Capital Finance Authority, 4.35%, June 15, 2016	3.6%	BMO Capital Trust, Conv., 6.647%, December 31, 2010	1.0%
Province of British Columbia, 6.25%, December 1, 2009	3.1%	Province of British Columbia, 5.40%, June 18, 2035	1.0%
Canadian Imperial Bank of Commerce, 4.40%, August 26, 2008	2.5%	Business Development Bank of Canada, 4.35%, February 28, 2022	1.0%
Farm Credit Canada, 4.60%, June 1, 2021	2.5%	Sub-total – largest 25 holdings	85.0%
Province of British Columbia, 4.70%, December 1, 2017	2.5%	Remaining holdings	15.0%
Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037	2.4%	Total Investment Portfolio	100.0%

\* Issue guaranteed by the Government of Germany.

## AUDITORS' REPORT TO THE UNITHOLDERS

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March 20, 2008

### To the Unitholders of Tradex Bond Fund

We have audited the statement of investment portfolio of Tradex Bond Fund as at December 31, 2007, the statements of net assets as at December 31, 2007 and 2006 and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Tradex Bond Fund as at December 31, 2007 and 2006 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants  
Ottawa, Ontario

## STATEMENTS OF NET ASSETS *December 31*

	2007	2006
<b>Assets</b>		
Investments, at fair value *	\$ 9,812,094	\$ 10,281,943
Cash and short-term investments	3,703	8,579
Subscriptions receivable	—	90,000
Accrued interest	95,594	93,262
	<b>9,911,391</b>	<b>10,473,784</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	26,103	25,738
Redemptions payable	5,725	32,407
	<b>31,828</b>	<b>58,145</b>
Net assets, representing unitholders' equity	\$ 9,879,563	\$ 10,415,639
Units issued and outstanding, end of year <i>(Note 5)</i>	989,018	1,026,176
<b>Net assets per unit <i>(Note 2)</i></b>	<b>\$ 9.99</b>	<b>\$ 10.15</b>
	<b>\$ 9,738,124</b>	<b>\$ 10,188,916</b>

*The accompanying notes are an integral part of these financial statements.*

Approved by the Board  
of Directors of  
Tradex Management Inc.,  
Trustee for Tradex Bond Fund



Andrew Campbell  
Director



Karin Zabel  
Director

## STATEMENTS OF OPERATIONS *Year ended December 31*

	2007	2006
<b>Investment Income</b>		
Revenue		
Interest	\$ 513,518	\$ 570,877
	513,518	570,877
Expenses <i>(Note 4)</i>		
Management fees	63,476	66,947
Investment advisory fees	26,500	27,208
Administration costs	35,859	49,552
Independent Review Committee	18	—
Audit fees	11,999	9,935
Custodian fees	3,998	4,567
Registration fees and expenses	14,441	14,284
Expense reductions <i>(Note 4)</i>	(49,820)	(43,810)
	106,471	128,683
<b>Net investment income</b>	<b>407,047</b>	<b>442,194</b>
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized loss on sale of investments	(143,208)	(41,104)
Change in unrealized appreciation (depreciation) on investments	(19,057)	(121,629)
<b>Net loss on investments</b>	<b>(162,265)</b>	<b>(162,733)</b>
<b>Increase in net assets from operations</b>	<b>\$ 244,782</b>	<b>\$ 279,461</b>
<b>Increase per unit in net assets from operations <i>(Note 2)</i></b>	<b>\$ 0.25</b>	<b>\$ 0.27</b>

*The accompanying notes are an integral part of these financial statements.*

## STATEMENTS OF CHANGES IN NET ASSETS *Year ended December 31*

	2007	2006
<b>Net assets, beginning of year</b>	<b>\$ 10,415,639</b>	<b>\$ 10,989,912</b>
Add (deduct)		
<b>Operations</b>		
Net increase in net assets from operations	244,782	279,461
<b>Distributions</b>		
Distributions to unitholders from investment income	(409,078)	(443,182)
<b>Units</b>		
Proceeds from issue of units	722,843	671,062
Reinvestment of distributions	407,695	437,825
Consideration paid for redemptions of units	(1,502,318)	(1,519,439)
	(371,780)	(410,552)
<b>Net assets, end of year</b>	<b>\$ 9,879,563</b>	<b>\$ 10,415,639</b>

*The accompanying notes are an integral part of these financial statements.*

# STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2007*

<b>Bonds</b>	<b>Par value</b>	<b>Average cost</b>	<b>Fair value</b>	<b>% of total fair value</b>
<b>Federal</b>				
Government of Canada, 5.00%, June 1, 2037	\$ 359,000	\$ 410,569	\$ 414,860	
Business Development Bank of Canada, 4.35%, February 28, 2022	100,000	96,760	99,865	
Canada Housing Trust, 4.10%, December 15, 2008	233,000	233,128	233,147	
Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012	129,000	137,733	135,785	
Canada Mortgage & Housing Corporation, 4.35%, February 1, 2017	507,000	496,302	509,606	
Farm Credit Canada, 4.55%, April 12, 2021	1,456,000	1,447,773	1,482,498	
Farm Credit Canada, 4.60%, June 1, 2021	242,000	241,980	247,663	
		3,064,245	3,123,424	31.8
<b>Provincial</b>				
Alberta Capital Finance Authority, 4.35 %, June 15, 2016	355,000	350,713	353,253	
Alberta Capital Finance Authority, 4.65%, June 15, 2017	481,000	480,139	488,696	
Hydro-Quebec, 5.00%, February 15, 2045	100,000	104,342	104,588	
Hydro-Quebec, 6.50%, February 15, 2035	74,000	86,862	93,691	
Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037	232,000	227,627	235,109	
Province of British Columbia, 6.25%, December 1, 2009	291,000	316,366	302,230	
Province of British Columbia, 4.70%, December 1, 2017	241,000	245,916	245,478	
Province of British Columbia, 5.70%, June 18, 2029	60,000	68,670	69,163	
Province of British Columbia, 5.40%, June 18, 2035	90,000	97,176	101,604	
Province of British Columbia, 4.70%, June 18, 2037	60,000	59,383	61,245	
Province of Nova Scotia, 5.40%, June 1, 2009	182,000	194,394	185,110	
Province of Nova Scotia, 6.40%, September 1, 2010	153,000	165,797	161,498	
Province of Quebec, 6.25%, June 1, 2032	45,000	47,376	54,728	
Province of Saskatchewan, 5.25%, December 3, 2012	373,000	394,609	389,184	
		2,839,370	2,845,577	29.0
<b>Corporate</b>				
Bank of Montreal, 7.00%, January 28, 2010	13,000	13,982	13,499	
Bank of Montreal, 5.10%, April 21, 2021	5,000	5,000	4,830	
BMO Capital Trust, Conv., 6.647%, December 31, 2010	100,000	109,100	103,181	
BMO Capital Trust, Conv., 6.685%, December 31, 2011	23,000	25,767	23,973	
BMO Capital Trust, Conv., 6.903%, December 29, 2049	50,000	51,925	51,755	
Bank of Nova Scotia, 4.515%, November 19, 2008	97,000	100,065	96,867	
Bank of Nova Scotia, 5.00%, September 13, 2010	70,000	70,014	70,291	
Borealis Energy Source, 6.27%, May 3, 2011	4,000	4,380	4,179	
Caisse Cent Desjardins, 4.47%, November 10, 2008	24,000	23,868	23,887	
Canadian Revolving Auto Floorplan Trust, 5.68%, November 15, 2012	7,000	7,014	7,017	
Canada Capital Auto Receivables Asset Trust, 3.383%, June 17, 2008	31,000	30,544	30,758	
Canada Life Capital Trust, 7.529%, June 30, 2032	5,000	5,153	6,071	
Canadian Imperial Bank of Commerce, 4.25%, June 1, 2014	27,000	26,944	26,666	
Canadian Imperial Bank of Commerce, 4.40%, August 26, 2008	251,000	249,896	250,139	
Caterpillar Financial Service Limited, 4.50%, August 7, 2008	55,000	54,841	54,797	
Citigroup Finance Canada Inc., 4.30%, August 5, 2008	76,000	75,571	75,718	
Clarica Life Insurance Company, 6.65%, October 12, 2015	13,000	14,203	13,556	
Gaz Metro Limited Partnership, 6.05%, November 10, 2008	112,000	113,904	113,195	
GE Capital Canada Funding, 5.73%, October 22, 2037	44,000	44,234	46,297	
Glacier Credit Card Trust, 4.444%, November 20, 2008	43,000	42,772	42,836	
Gloucester Credit Card Trust, 4.274%, October 15, 2008	41,000	40,709	40,739	
Greater Toronto Airports Authority, 7.10%, June 4, 2031	50,000	50,590	61,334	
Household Financial Corporation Limited, 4.20%, April 13, 2009	12,000	11,856	11,857	
HSBC Canada Asset Trust, 7.78%, December 31, 2010	55,000	59,758	58,448	
Hydro One Inc., 4.00%, June 23, 2008	471,000	468,571	469,370	
IGM Financial Inc., 7.45%, May 9, 2031	10,000	10,180	12,385	
Kreditanstalt fuer Wiederaufbau, 4.95%, October 14, 2014*	919,000	931,589	940,992	
Kommunalbanken AS, 4.75%, March 17, 2017	51,000	51,663	51,126	
Manulife Financial Capital Trust, 6.70%, June 30, 2012	28,000	28,189	29,547	
Merrill Lynch Canada, 4.70%, September 12, 2008	22,000	21,965	21,819	
NIF-T, 4.37%, February 23, 2009	2,000	1,984	1,985	
Omers Realty Corporation, 5.48%, December 31, 2012	460,000	477,321	479,509	
Royal Bank of Canada, 5.95%, June 18, 2103	112,000	119,664	114,583	
Scotia Bank Capital Trust, 6.626%, June 30, 2052	41,000	41,160	42,962	
Scotia Bank Capital Trust II, 6.282%, December 29, 2049	22,000	23,883	22,812	
Sun Life Capital Trust, 6.865%, December 2011	92,000	98,483	97,215	
Teranet Inc., 5.039%, August 16, 2016	5,000	4,878	4,937	
TransCanada PipeLines Limited, 8.29%, February 5, 2026	41,000	54,245	53,330	

## STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2006*

<b>Bonds (continued)</b>		Par value		Average cost		Fair value	% of total fair value
Wells Fargo Financial Canada, 5.00%, June 16, 2008	\$	226,000	\$	226,542	\$	226,081	
Wells Fargo Financial Canada, 4.75%, June 29, 2009		30,000		29,904		29,943	
York University, 6.48%, March 7, 2042		10,000		12,198		12,607	
				3,834,509		3,843,093	39.2
Total bonds				9,738,124		9,812,094	100.0
<b>Total portfolio of investments</b>			<b>\$ 9,738,124</b>		<b>\$ 9,812,094</b>		<b>100.0</b>

\*Issue guaranteed by the Government of Germany

*The accompanying notes are an integral part of these financial statements.*

## NOTES TO AUDITED FINANCIAL STATEMENTS *December 31, 2007*

### 1. Background

Tradex Bond Fund ("the Fund") is an unincorporated trust formed under the laws of the Province of Ontario. Tradex Management Inc. is the Manager and the Trustee of Tradex Bond Fund.

### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

#### Investments

Investments of the Fund are recorded at the closing bid price ("fair value") provided by independent security pricing services.

The difference between the fair value of investments and the cost of the investments is included in unrealized appreciation (depreciation) on investments in the Statement of Operations.

#### Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from these estimates and the differences may be material.

#### Investment transactions, investment income, expenses and distributions

Investment transactions are recorded on the trade date. Realized gains or losses on security transactions are determined on an average cost basis. Interest income and estimated expenses are accrued daily.

#### Net assets per unit

"Net assets per unit" is based on the total net assets outstanding as at the end of year divided by the number of units outstanding as at that date. The "increase (decrease) per unit in net assets from operations" is based on the increase (decrease) in net assets from operations for the year divided by the weighted average number of units outstanding over the year.

### 3. Taxes

Goods and services tax (GST) is included in the expense items charged to the Fund.

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and distributes all of its net taxable income with the intent to not be subject to income tax.

As at December 31, 2007, the Fund had no non-capital losses and \$1,000,897 in capital losses carried forward for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains.

### 4. Management expenses

The Fund retains investment advisory, custodial, professional, management and administrative services. The fees are charged directly to the Fund, as are registration fees and expenses. Tradex Management Inc. performs the management services for an annual fee of 0.6% of the Fund's net asset value calculated and accruing daily.

Tradex Management Inc. may from time to time voluntarily waive a portion of its management fees and/or absorb all or a portion of the other expenses of the Fund and/or rebate to the Fund a portion of the fees paid to it by the Fund. This reduces the expenses for the Fund, which in turn reduces its management expense ratio. In 2007, \$49,820 in expenses were reduced for the Fund through such transactions (\$43,810 in 2006).

## NOTES TO AUDITED FINANCIAL STATEMENTS *December 31, 2007 (cont'd)*

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### **5. Units capitalization**

The Fund's capitalization consists of an unlimited number of units without nominal or par value that are redeemable on demand at their net asset value. The changes in the number of units during the last two years ending December 31, were as follows:

	2007	2006
Outstanding, beginning of year	1,026,176	1,066,227
Issued	113,708	109,259
Redeemed	(150,866)	(149,310)
Outstanding, end of year	989,018	1,026,176

### **6. Recent accounting pronouncements**

In October 2006, the Accounting Standards Board issued CICA Handbook Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". The new standards enhance existing disclosure and presentation of financial instruments. The existing requirements related to presentation of financial instruments have been carried forward unchanged. The new standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

## BOARD OF DIRECTORS AND OFFICERS

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*Nunavut Trust  
Director and Treasurer*

**Philip E. Charko, Ottawa, Ont.**

*Treasury Board of Canada  
Director and Secretary*

**Blair R. Cooper, Ottawa, Ont.**

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Vice President, Operations*

**Karin Zabel CA, Ottawa, Ont.**

*Canadian Tourism Commission  
Director*

## CORPORATE AND UNITHOLDER INFORMATION

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