

2007
Annual Management Report of Fund Performance
and
Annual Financial Statements

Tradex Equity Fund Limited

December 31, 2007

You may get a copy of the Fund's Simplified Prospectus, Annual Information Form, proxy voting policies and procedures, proxy voting disclosure record 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**.

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TRADEX EQUITY FUND LIMITED STATEMENT OF MANAGEMENT'S RESPONSIBILITY

To our shareholders,

The accompanying Management Report of Fund Performance and Financial Statements have been prepared by Tradex Management Inc., the Manager of **Tradex Equity Fund Limited** and approved by the Manager's and the Fund'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 shareholders of Tradex Equity Fund Limited. They have audited the Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements.

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

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 long-term capital appreciation by investing primarily in a diversified portfolio of common shares of Canadian companies plus shares of companies in the United States and other countries.

The strategy of the Fund is to build positions in high quality growing companies. The Fund can be aggressive in the sense of stock and sector concentration, and will own a relatively high level of small cap stocks when desirable. Foreign content will be in the range of 20-40% of the total portfolio value at most times.

To maintain adequate portfolio diversification, thus reducing risk, at least five S&P/TSX Composite Index industry sectors will be represented. The Fund will generally be fully invested, but should market conditions temporarily deteriorate, up to 30% of the portfolio could be converted into cash.

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. In this regard, the value of the shares in Tradex Equity Fund Limited is directly related to the market value of the Fund's investment portfolio, which consists of shares of approximately 50 companies.

The values of common stocks vary from day to day, reflecting specific company developments such as announcements of quarterly earnings or changes in company management, by stock market conditions such as changes in interest rates or price/earnings ratios, and by general economic conditions such as inflation rates and foreign exchange rates in those countries where the investments are listed for trading.

Tradex Equity Fund Limited is suitable for investors seeking capital appreciation over the long term, who are not concerned about the day-to-day fluctuations of their investment. It offers a level of diversity that many investors may not be able to achieve on their own.

Results of Operations

2007 was a difficult year for many Canadian equity funds, including Tradex Equity Fund Limited, that have historically invested a considerable portion of their portfolio in blue-chip Canadian financial stocks and foreign stocks. The turmoil in credit markets that began in the U.S. sub-prime mortgage market and spread to other areas resulted in the S&P/TSX Capped Financials Index declining 3.8% for the year. At the same time, the remarkable increase in the Canadian currency during the year led to negative Canadian dollar returns on investments in foreign stocks in 2007. In this environment, an investment in Tradex Equity Fund Limited decreased in value by 4.5% over the year. However, over the past 5 years the average annual compound return has been 11.0%.

At year-end 26% of the Fund's total portfolio value was invested in Canadian financial stocks versus 27% at the beginning of the year. This includes the three largest positions in the portfolio, Manulife Financial, the Royal Bank of Canada and Toronto-Dominion Bank, which collectively represented 16% of the Fund's total portfolio

value. At year-end the Fund held positions in eight Canadian financial stocks including positions in four of the six largest Canadian chartered banks. While Canadian financial stocks were a drag on 2007 performance, their past performance has been strong. In this regard, they have historically formed the "core" of the Fund's investment portfolio and it is anticipated that they will continue to do so in the future.

At the end of 2007 the weighting to foreign stocks stood at 21% of the total portfolio value compared to 30.5% at the end of 2006. Two factors led to this reduction. First, during the year, the number of foreign positions was reduced from seventeen to ten. Second, while foreign stock markets were generally stronger during the year (for example the U.S. S&P 500 Index was up 3.5% and the London FTSE 100 Index was up 3.8%), any gains in foreign stocks were more than offset by the remarkable strength of the Canadian dollar. In 2007 the Canadian dollar gained 17.6% versus the U.S. dollar, 16.5% versus the British pound, 10.7% versus the Japanese yen and 6.6% versus the Euro. Toward the end of the year, some of the funds freed up from the sale of individual foreign stocks were invested in S&P 500 Depository Receipts with the intention of redeploying these funds in specific U.S. stocks in early 2008 as opportunities arise. Portfolio manager PH&N continue to believe that the foreign portion of the portfolio provides valuable diversification from the rather narrow Canadian equity market. While it is not possible to predict when the Fund's foreign holdings will outperform Canadian equities, foreign stocks appear to offer downside protection, attractive valuations and reasonable long-term growth potential in the current market environment. As a result, PH&N will be paying close attention to developments in the U.S. market with the aim of deploying additional funds to this market if the right opportunities arise.

The Fund's weighting to the Energy sector was progressively increased during the first half of the year, moving to 25% of the total portfolio value versus 16% at the end of 2006, before being reduced to 19% by the end of 2007. Correspondingly, the number of companies that the Fund held in this sector increased from 9 at the start of the year to 16 at mid-year before being reduced to 12 at the end of the year. A number of the companies in this sector are small to mid-size natural gas companies operating in Western Canada. While Western Canadian energy companies face a number of significant challenges, PH&N note that energy prices have increased, valuations in this sector have improved, service costs are coming down and competition for land has abated. In the fourth quarter uranium producer Cameco was also added to the portfolio. In 2007, the S&P/TSX Capped Energy Index increased 7.9%.

During the third quarter four gold mining companies were added to the portfolio, representing just over 6% of the total portfolio value. While PH&N has generally avoided gold companies in the past, their analysis pointed out that at mid-year gold equities had, in general, under-performed the market by a wide margin and were trading near the bottom of their valuation range over the past few years. Also, supply/demand fundamentals and the weakness in the U.S. dollar had created a very favourable environment for gold. This position, which was trimmed toward the end of the year, was a positive factor for the Fund's relative performance during the period. At year-end the total portfolio weighting to the Materials sector stood at 10.6% versus an Index weighting of 16.9%. The fact that the Fund had an under-weight position in this strongly performing (but very volatile) sector throughout the year was a negative on overall performance.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

Several other positions were either added to or eliminated from the portfolio during the year as PH&N made adjustments in the Fund's holdings to reflect the changing market environment. At year-end there were a total of 40 Canadian stocks in the portfolio and 10 foreign stocks.

A summary of the weighting of the Fund's assets compared to the weighting for the 10 sub-groups in the S&P/TSX Composite Index appears under the heading "Summary of Investment Portfolio". Also, a listing of the entire investment portfolio appears on pages 10 and 11.

In 2007 there was a slight increase in the number of shares outstanding while the Fund's total net asset value decreased from \$131.2 million at the start of the year to \$117.2 million at year-end. The management expense ratio, which is among the lowest for actively managed Canadian equity funds, declined to 1.18% from 1.19% in 2006 (and 1.21% in 2005). At the beginning of the year,

the Fund made a 2007 capital gain distribution amounting to 71.39 cents per share while at the end of the year an ordinary dividend of 39.93 cents per share was paid to shareholders.

Looking ahead, PH&N believe that volatility in equity markets in both Canada and abroad will continue to be high in the coming months. As a result, they remain cautious in their investment strategy and focused on positioning the Fund in attractively valued, high-quality growing companies with sustainable earnings. As part of this strategy, given the current level of the Canadian dollar, the decline in U.S. equity prices and the Fund's year-end portfolio weighting to this sector, PH&N will be deploying additional funds to this market if the right opportunities arise.

Recent Developments

In mid-January 2008 the Fund made a capital gains distribution amounting to 11.53 cents per share. As a result, the value of each

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 Share (1) (For the five years ended December 31)

	2007	2006	2005	2004	2003
Net assets per share, beginning of year	\$ 16.97	\$ 16.06	\$ 14.03	\$ 12.58	\$ 10.67
Increase (decrease) from operations:					
Total revenue	\$ 0.48	\$ 0.31	\$ 0.25	\$ 0.22	\$ 0.21
Total expenses	\$ (0.20)	\$ (0.18)	\$ (0.18)	\$ (0.17)	\$ (0.16)
Realized gains (losses) for the year	\$ 0.46	\$ 1.27	\$ 1.84	\$ 0.94	\$ 0.16
Unrealized gains (losses) for the year	\$ (1.44)	\$ 0.49	\$ 0.32	\$ 0.63	\$ 1.87
Total increase (decrease) from operations (2)	\$ (0.70)	\$ 1.89	\$ 2.23	\$ 1.62	\$ 2.08
Distributions to investors:					
From dividends	\$ 0.40	\$ 0.21	\$ 0.19	\$ 0.17	\$ 0.17
From capital gains	\$ 0.71	\$ 0.78	\$ —	\$ —	\$ —
Total Annual Distributions (3)	\$ 1.11	\$ 0.99	\$ 0.19	\$ 0.17	\$ 0.17
Net assets per share, end of year	\$ 15.13	\$ 17.01	\$ 16.06	\$ 14.03	\$ 12.58

(1) This information is derived from the Fund's audited annual financial statements. Starting in 2007, net assets per share represented in the audited financial statements differ from net asset value per share calculated for fund pricing purposes. This reflects the Fund's new accounting policies adopted in accordance with changes in Canadian generally accepted accounting principles (GAAP) introduced by the Canadian Institute of Chartered Accountants. The net asset value per share for pricing purposes (as opposed to the GAAP net assets per share) was \$17.01 at the beginning of 2007 and \$15.17 as at December 31, 2007. A further explanation of this difference can be found in the Notes to the audited financial statements on pages 11 and 12.

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

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

Ratios and Supplemental Data	2007	2006	2005	2004	2003
Total net asset value, end of year (000's)	\$ 117,229	\$ 131,158	\$ 126,197	\$ 115,003	\$ 106,518
Weighted average net asset value (000's)	\$ 128,999	\$ 125,172	\$ 121,306	\$ 111,710	\$ 97,158
Number of shares outstanding, end of year (000's)	7,727	7,709	7,858	8,197	8,465
Management expense ratio (1)	1.18%	1.19%	1.21%	1.29%	1.35%
Management expense ratio before waivers or absorptions (1)	1.30%	1.27%	1.29%	1.33%	1.35%
Trading expense ratio (2)	0.30%	0.11%	0.08%	0.16%	0.12%
Portfolio turnover rate (3)	72.28%	26.23%	29.14%	50.61%	40.49%
Net asset value per share, end of year	\$ 15.17	\$ 17.01	\$ 16.06	\$ 14.03	\$ 12.58

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

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.

(3) 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 a 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 the performance of a fund.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

share was reduced by a similar amount, reflecting this distribution. Almost all investors chose to reinvest this distribution in additional shares of the Fund.

During 2007 the investment guidelines stated that the 12 largest Canadian holdings were to represent over 50% of the value of the Canadian portion of the portfolio. In early 2008 this investment guideline was eliminated in order to allow PH&N greater flexibility in managing the portfolio.

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 0.7% of the Fund's net asset value, calculated and accruing daily. This amounted to \$962,677 in 2007 (including GST) and represents slightly less than 60% of the total expenses paid by the Fund (excluding brokerage fees). 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 shareholders and potential shareholders. 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, \$154,760 in expenses were reduced for the Fund through such transactions.

Other Expenses

The other expenses incurred by the Fund amounted to \$712,967 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to Phillips, Hager & North Investment Management Ltd.), 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 dividends and distributions made by the Fund were reinvested without charge to purchase additional shares of the Fund; and
- are not reduced by any income taxes payable by you. You will be taxable on the dividends and distributions of net income even if you have reinvested them to purchase additional shares, 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 S&P/TSX Composite Total Return Index.

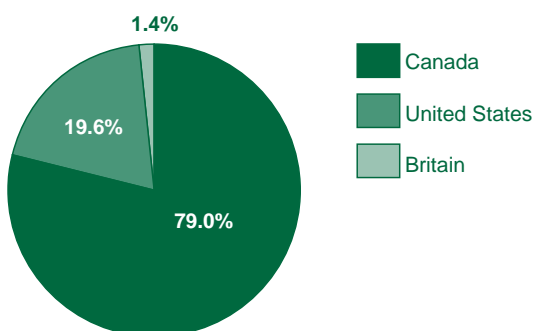
	Past 10 years	Past 5 years	Past 3 years	Past year
Tradex Equity Fund Limited	6.6%	11.0%	7.6%	-4.5%
S&P/TSX Composite Total Return Index	9.5%	18.3%	16.9%	9.8%

The S&P/TSX Composite Total Return Index is the recognized standard for measuring the overall performance of the Canadian equity market. The Index covers approximately 95% of Canadian equity market capitalization and assumes the reinvestment of all dividends.

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 geographic location of the companies in the portfolio is as follows:



A summary of the sector weighting of the Canadian companies in the Fund's investment portfolio along with the weighting of each sector in the S&P/TSX Composite Index as at December 31, 2007 is as follows:

	Weighting of the S&P/TSX Composite Index	Weight of the Canadian portion of the Fund's portfolio
Energy	27.9%	24.1%
Materials	16.9%	13.4%
Industrials	5.4%	7.2%
Consumer Discretionary	5.0%	7.4%
Consumer Staples	2.5%	1.6%
Health Care	0.5%	3.3%
Financials	29.5%	33.2%
Information Technology	5.2%	3.2%
Telecommunication Services	5.5%	6.6%
Utilities	1.6%	-
Total	100.0%	100.0%

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.

Manulife Financial Corporation	7.6%	Cisco Systems Inc. (U.S.)	2.3%
The Toronto-Dominion Bank	4.4%	Microsoft Corporation (U.S.)	2.3%
Royal Bank of Canada	4.3%	Agrium Inc.	2.2%
S&P 500 Depository Receipts (U.S.)	3.9%	American International Group Inc. (U.S.)	2.1%
Goldcorp Inc.	3.2%	Canadian Imperial Bank of Commerce	2.1%
Telus Corporation "A"	3.1%	Rogers Communications Inc. "B"	1.9%
The Thomson Corporation	2.9%	Open Text Corporation	1.7%
EnCana Corporation	2.9%	FutureMed Healthcare Income Fund	1.6%
Jazz Air Income Fund	2.9%	Wyeth (U.S.)	1.6%
Petro Andina Resources Inc.	2.5%	National Bank of Canada	1.6%
Duvernay Oil Corporation	2.5%	Allstate Corporation (U.S.)	1.5%
Great-West Lifeco Inc.	2.4%	Sub-total - largest 25 holdings	68.3%
Power Corporation of Canada	2.4%	Remaining holdings	31.7%
Johnson & Johnson (U.S.)	2.4%	Total Investment Portfolio	100.0%

AUDITORS' REPORT TO THE SHAREHOLDERS



March 20, 2008

To the Shareholders of Tradex Equity Fund Limited

We have audited the statement of investment portfolio of Tradex Equity Fund Limited 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 Equity Fund Limited 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
Assets		
Investments, at fair value * <i>(Note 2)</i>	\$ 112,993,333	\$ 130,520,401
Cash and short-term investments	4,722,167	693,607
Dividends receivable	279,632	214,096
Receivable for investments sold	—	274,030
Receivable for tax reclaims	48,613	48,048
Subscriptions receivable	29,148	13,652
	118,072,893	131,763,834
Liabilities		
Accounts payable and accrued liabilities	194,560	192,480
Redemptions payable	401,599	234,695
Payable for investments purchased	544,833	179,007
	1,140,992	606,182
Net assets, representing shareholders' equity	\$ 116,931,901	\$ 131,157,652
Shares issued and outstanding, end of year <i>(Note 5)</i>	7,727,205	7,709,002
Net assets per share <i>(Note 2)</i>	\$ 15.13	\$ 17.01
	\$ 94,276,989	\$ 100,491,537

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

Approved by the Board
of Directors of
Tradex Equity Fund Limited and
Tradex Management Inc.



Andrew Campbell
Director



Karin Zabel
Director

STATEMENTS OF OPERATIONS *Year ended December 31*

	2007	2006
Investment Income		
Revenue		
Dividends	\$ 3,962,459	\$ 2,601,000
Less foreign withholding taxes	(116,580)	(90,846)
	3,845,879	2,510,154
Interest	71,644	37,353
Foreign exchange loss	(203,449)	(61,280)
	3,714,074	2,486,227
Expenses <i>(Note 4)</i>		
Management fees	962,677	926,919
Investment advisory fees	304,999	291,357
Administration costs	283,131	277,034
Independent Review Committee	18	—
Audit fees	53,999	42,771
Legal fees	—	173
Custodian fees	51,999	34,765
Registration fees and expenses	14,440	14,284
Federal corporate surtax	4,381	1,780
Expense reductions <i>(Note 4)</i>	(154,760)	(105,670)
	1,520,884	1,483,413
Net investment income	2,193,190	1,002,814
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized gain on sale of investments	3,978,853	10,073,151
Change in unrealized appreciation (depreciation) on investments	(11,201,855)	3,907,383
Transaction costs <i>(Note 2)</i>	(383,156)	—
Net gain (loss) on investments	(7,606,158)	13,980,534
Increase (decrease) in net assets from operations	\$ (5,412,968)	\$ 14,983,348
Increase (decrease) per share in net assets from operations <i>(Note 2)</i>	\$ (0.70)	\$ 1.89

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

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

	2007	2006
Net assets, beginning of year	\$ 131,157,652	\$ 126,197,023
Change in accounting policy (Note 2)	(314,530)	—
	130,843,122	126,197,023
Add (deduct)		
Operations		
Net increase (decrease) in net assets from operations	(5,412,968)	14,983,348
Distributions		
Distribution to shareholders from investment income	(3,012,843)	(1,582,568)
Distribution to shareholders from realized profit on sale of investments	(5,453,775)	(6,146,935)
	(8,466,618)	(7,729,503)
Shares		
Proceeds from issue of shares	3,167,043	2,805,104
Reinvestment of distributions	8,192,144	7,490,045
Consideration paid for redemptions of shares	(11,390,822)	(12,588,365)
	(31,635)	(2,293,216)
Net assets, end of year	\$ 116,931,901	\$ 131,157,652

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

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2007*

Canadian Common Stocks	Number of shares	Average cost	Fair value	% of total fair value
Energy				
EnCana Corporation	50,000	\$ 1,009,442	\$ 3,375,000	
Petro Andina Resources Inc.	238,100	2,356,463	2,923,868	
Duvernay Oil Corporation	100,000	1,964,470	2,898,000	
Talisman Energy Inc.	100,000	1,807,219	1,836,000	
Iteration Energy Limited	330,000	1,584,000	1,567,500	
Cyries Energy Inc.	220,000	1,668,059	1,482,800	
Cameco Corporation	35,000	1,502,539	1,384,950	
Peerless Energy Inc. 'A'	240,000	811,767	1,341,600	
ShawCor Limited Cl 'A' Sub Voting	36,000	469,323	1,269,000	
ProEx Energy Limited	100,000	1,282,735	1,177,000	
Epsilon Energy Limited	400,000	1,600,000	1,160,000	
Highpine Oil & Gas Limited	109,999	2,106,948	1,092,290	
		18,162,965	21,508,008	19.1
Materials				
Goldcorp Inc.	110,000	2,725,533	3,712,500	
Agrium Inc.	35,900	1,779,056	2,572,953	
Red Back Mining Inc.	230,000	1,386,900	1,605,400	
Gerdau Ameristeel Corporation	110,000	1,262,329	1,551,000	
Western Goldfields Inc.	343,700	1,062,739	1,306,060	
Sherritt International Corporation	90,000	1,208,695	1,188,000	
		9,425,252	11,935,913	10.6
Industrials				
Jazz Air Income Fund	440,000	3,624,787	3,352,800	
Martinrea International Inc.	140,000	2,450,000	1,708,000	
Toromont Industries Limited	49,000	86,937	1,384,740	
		6,161,724	6,445,540	5.7
Consumer Discretionary				
The Thomson Corporation	85,000	3,418,106	3,423,800	
Magna International Inc. 'A'	15,000	1,416,005	1,197,750	
Tim Hortons Inc.	49,000	1,548,093	1,793,890	
Wescast Industries Inc. 'A'	17,800	648,140	155,928	
		7,030,344	6,571,368	5.8
Consumer Staples				
Metro Inc. 'A'	52,800	1,442,373	1,388,640	
		1,442,373	1,388,640	1.2
Health Care				
FutureMed Healthcare Income Fund	170,000	1,571,804	1,881,900	
Biovail Corporation	80,000	2,823,494	1,068,000	
		4,395,298	2,949,900	2.6
Financials				
Manulife Financial Corporation	220,000	3,366,047	8,899,000	
The Toronto-Dominion Bank	75,000	3,047,850	5,208,750	
Royal Bank of Canada	100,000	2,397,872	5,069,000	
Great-West Lifeco Inc.	80,000	942,388	2,838,400	
Power Corporation of Canada	70,000	2,515,114	2,805,600	
Canadian Imperial Bank of Commerce	35,000	2,485,649	2,469,250	
National Bank of Canada	35,000	1,926,313	1,825,950	
Chesswood Income Fund	173,700	1,322,535	625,320	
		18,003,768	29,741,270	26.3
Information Technology				
Open Text Corporation	64,000	943,982	1,985,920	
Kaboose Inc.	325,000	893,750	828,750	
		1,837,732	2,814,670	2.5

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2007*

Canadian Common Stocks (continued)	Number of shares	Average cost	Fair value	% of total fair value
Telecommunication Services				
Telus Corporation 'A' Non Voting	76,000	\$ 2,327,630	\$ 3,642,680	
Rogers Communications Inc. 'B'	50,000	544,852	2,249,500	
		2,872,482	5,892,180	5.2
Total Canadian common stocks		69,331,938	89,247,489	79.0
Foreign Common Stocks				
United States				
Standard & Poor's 500 Depository Receipts	32,000	4,704,672	4,627,494	
Johnson & Johnson	42,000	2,858,513	2,766,989	
Cisco Systems Inc.	100,000	2,413,355	2,677,362	
Microsoft Corporation	75,000	2,439,192	2,635,574	
American International Group Inc.	43,000	2,957,387	2,474,349	
Wyeth	42,000	2,122,573	1,833,998	
Allstate Corporation	35,000	1,691,152	1,806,997	
The Progressive Corporation	90,000	2,293,617	1,702,849	
Comcast Corporation 'A'	90,000	1,877,755	1,625,407	
		23,358,216	22,151,019	19.6
Britain				
GlaxoSmithKline PLC ADR	32,000	1,772,994	1,594,825	
		1,772,994	1,594,825	1.4
Total foreign common stocks		25,131,210	23,745,844	21.0
Transaction costs		(186,159)	—	
Total portfolio of investments		\$ 94,276,989	\$112,993,333	100.0

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

NOTES TO AUDITED FINANCIAL STATEMENTS *December 31, 2007*

1. Background

Tradex Equity Fund Limited ("the Fund") is an incorporated company under the laws of Canada. Tradex Management Inc. is the Manager of Tradex Equity Fund Limited.

2. Summary of significant accounting policies

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

Investments

The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, which applies to fiscal years beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid price for the security. Prior to that, fair value for Canadian generally accepted accounting principles (GAAP) was based on the last traded price for the day, when available. For financial reporting purposes, starting from January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund on a retroactive basis without restatement of prior periods. Accordingly, the opening net assets in the Statement of Changes in Net Assets for the year ended December 31, 2007 has been adjusted.

National Instrument 81-106 ("NI 81-106"), Investment Fund Continuous Disclosure, requires the daily net asset value of an investment fund to be calculated in accordance with GAAP. Notwithstanding the prescribed implementation date of Section

3855, the Canadian Securities Administrators granted interim relief to investment funds from complying with Section 3855 when calculating the daily net asset value for the purpose of processing shareholder transactions ("Net Asset Value"). The relief was granted to permit further review of the impact of Section 3855 and is effective until the earlier of September 30, 2008 or the date on which proposed amendments to NI 81-106 come into effect. The net asset value calculated in accordance with Section 3855 is referred to as "Net Assets" from hereon forward. In accordance with the decisions made by the Canadian Securities Administrators, a reconciliation between the Fund's net assets for financial reporting ("GAAP Net Assets") and the Fund's net asset value for purposes other than financial reporting ("Transactional Net Asset Value") is required. This reconciliation appears in Note 6.

Beginning in 2007, investments of the Fund that are traded in an active market are valued at the closing bid price ("fair value") by independent securities pricing services. The value of any investment to which the foregoing principle cannot be applied shall be the fair value thereof determined in such a manner as the Manager from time to time provides.

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.

Foreign exchange

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange

rates prevailing on each valuation day. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the exchange rates prevailing on the respective dates of such transactions.

Realized and unrealized foreign exchange gains (losses) on investments are included in "realized gain (loss) on sale of investments" and "unrealized gain (loss) on investments", respectively in the Statement of Operations.

Realized and unrealized foreign exchange gains (losses) on assets, liabilities, and investment income are included in "Foreign exchange gain (loss)" 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 difference 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. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are recognized in the Statement of Operations for the current period. Prior to January 1, 2007 the Fund's policy had been to add these expenses to the cost of the securities purchased or deducted from the proceeds of sale. For the period beginning January 1, 2007, the Fund adopted Section 3855 on a retrospective basis without retroactive restatement of prior periods. The transitional adjustment for prior periods has been charged against the current period's realized gains and losses from the sale of investments with a corresponding direct offset to unrealized appreciation/ (depreciation) in value of investments. Adoption of this policy does not impact the daily price of the Fund's securities for subscription and redemption purposes, nor for the calculation of Net Assets.

Net assets per share

"Net assets per share" is based on the total net assets outstanding as at the end of year divided by number of shares outstanding as at that date. The "increase (decrease) per share 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 shares outstanding over the year.

3. Taxes

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

Tradex Equity Fund Limited qualifies as a mutual fund corporation for federal income tax purposes. The Fund is subject to tax on taxable dividends received from taxable Canadian corporations. This tax is refundable at a rate determined by a formula when taxable dividends are paid.

The Fund is subject to tax on capital gains. However, this tax is refundable if sufficient capital gains are distributed to shareholders

either as capital gains dividends or through the redemption of shares. There was a taxable capital gains distribution in 2007 and 2006. As at December 31, 2007, the Funds had no capital and non-capital losses carried forward for income tax purposes.

Ontario Capital tax at a rate of 0.3% is levied against the capital of the corporation, with the first \$5 million in capital being exempt from this tax.

4. Management expenses

The Fund retains investment advisory, custodial, professional, management and administrative services. The fees are charged to the Fund, as are registration fees and expenses. Tradex Management Inc. performs the management services for an annual fee of 0.7% 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, \$154,760 in expenses were reduced for the Fund through such transactions (\$105,670 in 2006).

5. Share capitalization

Tradex Equity Fund Limited is an incorporated company as opposed to a mutual fund trust and, as such, has issued share capital. Authorized share capital comprises an unlimited number of voting mutual fund shares that are redeemable on demand at their net asset value. The changes in the number of shares during the last two years ending December 31, were as follows:

	2007	2006
Outstanding, beginning of year	7,709,002	7,857,543
Issued	706,112	646,883
Redeemed	(687,909)	(795,424)
Outstanding, end of year	7,727,205	7,709,002

6. Reconciliation of Net Asset Value to GAAP Net Assets

	Net Asset Value	Section 3855 Adjustment	GAAP Net Assets
Dec. 31, 2007			
Total Amount (\$)	117,229,439	297,538	116,931,901
Per Share (\$)	15.17	0.04	15.13

7. Brokerage fees

Total fees paid to brokers in connection with portfolio transactions during the last two years were as follows:

2007	\$383,156	2006	\$134,853
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8. 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.

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