

2008
Interim Management Report of Fund Performance
and
Interim Financial Statements

Tradex Equity Fund Limited

June 30, 2008

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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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE *for the six months ending June 30, 2008*

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

Equity markets in the U.S. and most other countries moved sharply lower during the first half of 2008. Indeed, during this period, the Dow Jones Industrial Average was down 14.4% (in local currency terms) while the S&P 500 Index was down 12.8%. Benchmark indexes in key European and Asian markets fared no better as they were down typically in the range of 12-21%. The Canadian market was the clear exception, and the best performing developed market in the world, with the S&P/TSX Composite Total Return Index increasing 6.0% during the first half of the year propelled by the Energy and Materials Sectors, which were up a remarkable 24% and 26% respectively. These two sectors now comprise over 50% of the S&P/TSX total weighting and, as a result, the Canadian stock market is now much more concentrated than other major equity markets. In this overall environment, the return on Tradex Equity Fund Limited shares was minus 0.6% during the first six months of 2008.

Overall, trading activity in the Fund was relatively heavy as portfolio manager Phillips Hager & North (PH&N) made significant adjustments on a number of fronts. At the end of the period there were 56 companies in the Canadian portion of the portfolio versus 40 at year-end. New positions were established in various sectors including the addition of a number of "small and mid cap" companies that are viewed as having strong growth potential. The number of foreign holdings was unchanged at 10.

The Fund benefited from its exposure to the Energy and Materials sectors, which increased from 30% to 40% of the total portfolio weighting during the period due to the combined effects of the strong performance of these sectors and the Fund establishing new positions in several companies, particularly in the Materials (mining) sector.

At the same time, in managing the Fund for the long-term benefit of investors, PH&N is very cognizant of the "risk/reward trade-off" in positioning the portfolio. In this regard, throughout the period Canadian financial stocks represented in the neighbourhood of 25% of the Fund's total assets and continue to be viewed as the Fund's "core" holdings. Canadian financial stocks have been strong performers over the past number of years and continue to have excellent growth and earnings potential. However, over the past 6-months this sector declined by 12%, thus representing a major drag on the Fund's performance in 2008.

Foreign stocks also performed poorly during the period. PH&N reduced the Fund's foreign exposure to the 16-17% range from the normal 20-40% range given the weakness in international equity markets. However, looking forward, PH&N believe that a number of foreign companies are now under-valued and that many Canadian companies look somewhat expensive in an international context. With this in mind, they are closely watching a target list of high-quality growth-oriented U.S. companies, which they hope to add to the portfolio in future quarters once the U.S. dollar shows evidence of strengthening and the U.S. economy shows signs of recovery.

A listing of the entire investment portfolio appears on pages 8 and 9. In addition, 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".

In mid-January a capital gains distribution amounting to 11.53 cents per share was made to the Fund's shareholders.

PH&N's strategy is to remain committed to their long-term investment approach of focusing on businesses with high-quality management teams, growing sales and earnings, and strengthening competitive position, which can be purchased at reasonable prices. Their experience has shown that this approach provides attractive long-term investment returns.

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 \$418,188 in the first six months of 2008 (including GST) and represents slightly less than 55% 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 the second half of 2007, \$154,760 in expenses were reduced for the Fund through such transactions. It is anticipated that a rebate will be made in the second half of 2008, although it is not possible to forecast the amount at this time.

Other Expenses

The other expenses incurred by the Fund in the first six months of 2008 amounted to \$348,584 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 (payable to PricewaterhouseCoopers LLP), custodian fees (paid to CIBC Mellon Trust 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 Statement of Operations.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

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 and one-half years.

The Fund's Net Assets per Share (1)

For the six month period ending June 30, 2008 and the five annual periods ending December 31, 2007, 2006, 2005, 2004, 2003.

	2008	2007	2006	2005	2004	2003
Net assets per share, beginning of period	\$ 15.13	\$ 16.97	\$ 16.06	\$ 14.03	\$ 12.58	\$ 10.67
Increase (decrease) from operations:						
Total revenue	\$ 0.16	\$ 0.48	\$ 0.31	\$ 0.25	\$ 0.22	\$ 0.21
Total expenses	\$ (0.10)	\$ (0.20)	\$ (0.18)	\$ (0.18)	\$ (0.17)	\$ (0.16)
Realized gains (losses) for the period	\$ 0.58	\$ 0.46	\$ 1.27	\$ 1.84	\$ 0.94	\$ 0.16
Unrealized gains (losses) for the period	\$ (0.74)	\$ (1.44)	\$ 0.49	\$ 0.32	\$ 0.63	\$ 1.87
Total increase (decrease) from operations (2)	\$ (0.10)	\$ (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	\$ 0.12	\$ 0.71	\$ 0.78	\$ —	\$ —	\$ —
Total Distributions (3)	\$ 0.12	\$ 1.11	\$ 0.99	\$ 0.19	\$ 0.17	\$ 0.17
Net assets per share, end of period	\$ 14.92	\$ 15.13	\$ 17.01	\$ 16.06	\$ 14.03	\$ 12.58

- (1) The information for 2003-2007 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 \$15.17 at the beginning of 2008 and \$14.97 as at June 30, 2008. A further explanation of this difference can be found in the Notes to the financial statements on pages 9-11.
- (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 period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund, or both.

Ratios and Supplemental Data	2008	2007	2006	2005	2004	2003
Total net asset value, end of period (000's)	\$ 112,197	\$ 117,229	\$ 131,158	\$ 126,197	\$ 115,003	\$ 106,518
Weighted average net asset value (000's)	\$ 113,151	\$ 128,999	\$ 125,172	\$ 121,306	\$ 111,710	\$ 97,158
Number of shares outstanding, end of period (000's)	7,496	7,727	7,709	7,858	8,197	8,465
Management expense ratio (1)	1.36%	1.18%	1.19%	1.21%	1.29%	1.35%
Management expense ratio before waivers or absorptions (1)	1.36%	1.30%	1.27%	1.29%	1.33%	1.35%
Trading expense ratio (2)	0.37%	0.30%	0.11%	0.08%	0.16%	0.12%
Portfolio turnover rate (3)	49.94%	72.28%	26.23%	29.14%	50.61%	40.49%
Net asset value per share, end of period	\$ 14.97	\$ 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 period and is expressed as an annualized percentage of daily average net asset value during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

III. PAST PERFORMANCE

The Fund's past performance assumes all distributions made by the Fund in the periods shown were used to purchase additional shares of the Fund.

If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of dividends the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional shares. The performance information does not take into account any sales, redemption or other optional charges that, if applicable, would reduce the returns or performance. Please remember, the Fund's performance in the past does not indicate how it will perform in the future.

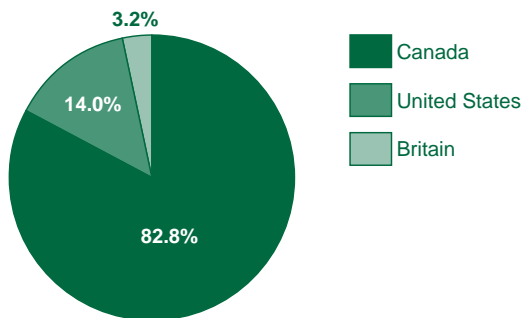
Year-by-year Returns

This bar chart shows the Fund's annual performance for each of the past ten years ending December 31, 2007 plus the performance for the six-month period ending June 30, 2008. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period and how the performance has varied from period to period.



IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at June 30, 2008 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 June 30, 2008 is as follows:

	Weighting of the S&P/TSX Composite Index	Weight of the Canadian portion of the Fund's portfolio
Energy	32.8%	27.2%
Materials	20.5%	20.5%
Industrials	5.0%	7.0%
Consumer Discretionary	3.5%	2.8%
Consumer Staples	2.2%	4.5%
Health Care	0.3%	1.7%
Financials	24.9%	27.5%
Information Technology	4.7%	3.3%
Telecommunication Services	4.6%	5.5%
Utilities	1.5%	—
Total	100.0%	100.0%

The following investments represent the 25 largest holdings of the Fund as of June 30, 2008 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.

Royal Bank of Canada	3.6 %	Goldcorp Inc.	2.0 %
Agrium Inc.	3.5 %	Power Corporation of Canada	2.0 %
EnCana Corporation	3.5 %	Gerdau Ameristeel Corp.	1.9 %
The Toronto-Dominion Bank	3.4 %	Thomson-Reuters (U.K.)	1.9 %
Manulife Financial Corporation	3.1 %	Red Back Mining	1.9 %
Toromont Industries Ltd.	2.6 %	Microsoft Corporation (U.S.)	1.9 %
National Bank of Canada	2.5 %	Canadian Imperial Bank of Commerce	1.9 %
Johnson & Johnson (U.S.)	2.4 %	Cameco Corp.	1.9 %
Iteration Energy	2.3 %	Wyeth (U.S.)	1.8 %
Canadian Pacific Railway	2.1 %	BCE Inc.	1.8 %
MacDonald Dettwiler	2.1 %	Bow Valley Energy	1.6 %
Cisco Systems Inc. (U.S.)	2.1 %	Sub-total – largest 25 holdings	57.8 %
Talisman Energy	2.0 %	Remaining holdings	42.2 %
Bank of Montreal	2.0 %	Total Investment Portfolio	100.0 %



INTERIM FINANCIAL STATEMENTS for the six months ending June 30, 2008

THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.

Tradex Management Inc., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2008.

STATEMENTS OF NET ASSETS *June 30, 2008 (Unaudited) and December 31, 2007*

	2008	2007
Assets		
Investments, at fair value * (Note 2)	\$ 111,248,953	\$ 112,993,333
Cash and short-term investments	1,626,277	4,722,167
Dividends receivable	289,321	279,632
Receivable for tax reclaims	51,557	48,613
Subscriptions receivable	—	29,148
	113,216,108	118,072,893
Liabilities		
Accounts payable and accrued liabilities	191,821	194,560
Redemptions payable	825	401,599
Payable for investments purchased	1,170,311	544,833
	1,362,957	1,140,992
Net assets, representing shareholders' equity	\$ 111,853,151	\$ 116,931,901
Shares issued and outstanding, end of period (Note 6)	7,495,588	7,727,205
Net assets per share (Note 2)	\$ 14.92	\$ 15.13
* Investments at cost	\$ 98,135,412	\$ 94,276,989

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 *(Unaudited)*

	Six months ending June 30	
	2008	2007
Investment Income		
Revenue		
Dividends	\$ 1,274,770	\$ 2,144,146
Less foreign withholding taxes	(17,632)	(59,561)
	1,257,138	2,084,585
Interest	23,820	30,410
Foreign exchange loss	(44,817)	(69,648)
	1,236,141	2,045,347
Expenses <i>(Note 5)</i>		
Management fees	418,188	492,413
Investment advisory fees	146,694	147,944
Administration costs	144,208	143,014
Independent Review Committee	—	—
Audit fees	26,355	22,190
Custodian fees	23,869	19,725
Registration fees and expenses	7,458	7,228
Expense reductions <i>(Note 5)</i>	—	—
	766,772	832,514
Net investment income	469,369	1,212,833
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized gain on sale of investments	4,615,466	10,479,996
Change in unrealized depreciation on investments	(5,602,803)	(4,028,883)
Transaction costs <i>(Note 2)</i>	(210,744)	(199,884)
Net gain (loss) on investments	(1,198,081)	6,251,229
Increase (decrease) in net assets from operations	\$ (728,712)	\$ 7,464,062
Increase (decrease) per share in net assets from operations <i>(Note 2)</i>	\$ (0.10)	\$ 0.95

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

STATEMENTS OF CHANGES IN NET ASSETS *(Unaudited)*

	Six months ending June 30	
	2008	2007
Net assets, beginning of period	\$ 116,931,901	\$ 131,157,652
Change in accounting policy <i>(Note 2)</i>	—	(382,974)
	116,931,901	130,774,678
Add (deduct)		
Operations		
Net increase (decrease) in net assets from operations	(728,712)	7,464,062
Distributions		
Distribution to shareholders from realized profit on sale of investment	(888,956)	(5,453,775)
	(1,617,668)	2,010,287
Shares		
Proceeds from issue of shares	977,572	2,014,385
Reinvestment of distributions	861,354	5,292,001
Consideration paid for redemptions of shares	(5,300,008)	(6,391,912)
	(3,461,082)	914,474
Net assets, end of period	\$ 111,853,151	\$ 133,699,439

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

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2008

Canadian Common Stocks	Number of shares	Average cost	Fair value	% of total fair value
Energy				
EnCana Corporation	41,500	\$ 837,837	\$ 3,849,125	
Iteration Energy Limited	316,968	1,496,990	2,614,986	
Talisman Energy Inc.	100,000	1,807,219	2,250,000	
Cameco Corporation	47,500	1,986,651	2,076,225	
Bow Valley Energy Limited	279,000	1,427,166	1,721,430	
Tristar Oil & Gas Limited	72,000	874,800	1,483,920	
Duvernay Oil Corporation	23,400	459,686	1,455,012	
Nexen Inc.	35,200	1,103,117	1,423,840	
Pacific Rubiales Energy Corporation	102,500	1,137,073	1,374,525	
ProEx Energy Limited	54,400	697,808	1,249,024	
Nuvista Energy Limited	64,200	880,429	1,124,142	
Petro Andina Resources Inc.	94,200	932,292	1,055,040	
Celtic Exploration Limited	51,300	767,488	1,013,688	
Phoenix Coal Inc.	415,000	484,167	842,450	
Canadian Natural Resources Limited	7,500	536,236	757,575	
Connacher Oil and Gas Limited	167,900	667,030	720,291	
Phoenix Coal Inc. Warrant	207,500	242,083	78,850	
		16,338,072	25,090,123	22.6
Materials				
Agrium Inc.	35,900	1,779,056	3,933,921	
Goldcorp Inc.	46,800	1,159,590	2,199,600	
Gerdau AmeriSteel Corporation	110,000	1,262,329	2,167,000	
Red Back Mining Inc.	246,600	1,494,311	2,115,828	
CCL Industries Inc. 'B'	54,500	2,046,612	1,606,115	
Methanex Corporation	50,600	1,388,491	1,443,618	
Sherritt International Corporation	90,000	1,208,695	1,380,600	
Gold Wheaton Corp. Subscription Receipts Restricted	1,386,300	1,103,109	1,247,670	
Polaris Minerals Corporation	211,300	1,692,322	1,113,551	
Yamana Gold Inc.	52,500	712,979	883,575	
Lundin Mining Corporation	135,800	1,154,539	843,318	
		15,002,033	18,934,796	17.0
Industrials				
Toromont Industries Limited	105,900	1,677,971	2,881,539	
Canadian Pacific Railway Limited	35,500	2,264,306	2,393,055	
Finning International Inc.	47,600	1,272,034	1,213,324	
		5,214,311	6,487,918	5.8
Consumer Discretionary				
Great Canadian Gaming Corporation	108,800	1,490,253	986,816	
Astral Media Inc. 'A'	25,700	1,108,955	822,657	
Corus Entertainment Inc. 'B'	43,400	939,829	787,710	
		3,539,037	2,597,183	2.3
Consumer Staples				
Metro Inc. 'A'	62,800	1,713,973	1,522,272	
Saputo Inc.	40,900	1,076,498	1,185,282	
The Jean Coutu Group Inc. 'A'	123,900	1,162,051	1,018,458	
Shoppers Drug Mart Corporation	6,900	352,212	385,572	
		4,304,734	4,111,584	3.7
Health Care				
FutureMed Healthcare Income Fund	166,600	1,540,368	1,524,390	
		1,540,368	1,524,390	1.4
Financials				
Royal Bank of Canada	88,500	2,122,117	4,024,980	
The Toronto-Dominion Bank	58,900	2,393,578	3,745,451	
Manulife Financial Corporation	98,100	1,489,555	3,473,721	
National Bank of Canada	54,500	2,912,548	2,750,070	
Bank of Montreal	52,200	2,623,579	2,195,010	
Power Corporation of Canada	70,000	2,515,114	2,183,300	
Canadian Imperial Bank of Commerce	37,200	2,613,272	2,080,224	
First Capital Realty Inc.	52,300	1,169,194	1,242,125	
Bank of Nova Scotia	25,100	1,118,162	1,171,417	
CI Financial Income Fund	50,100	1,135,756	1,102,200	

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2008

Canadian Common Stocks (cont'd)	Number of shares	Average cost	Fair value	% of total fair value
Financials (cont'd)				
Great-West Lifeco Inc.	36,400	428,787	1,060,696	
Chesswood Income Fund	173,700	1,322,535	246,654	
		21,844,197	25,275,848	22.7
Information Technology				
MacDonald, Dettwiler & Associates Limited	62,400	2,677,369	2,359,344	
Zarlink Semiconductor Inc.	426,600	288,248	379,674	
Kaboose Inc.	325,000	893,750	292,500	
		3,859,367	3,031,518	2.7
Telecommunication Services				
BCE Inc.	56,800	2,115,800	2,019,240	
Rogers Communications Inc. 'B'	39,300	428,253	1,550,385	
Telus Corporation 'A' Non Voting	37,100	1,136,251	1,519,245	
		3,680,304	5,088,870	4.6
Total Canadian common stocks		75,322,423	92,142,230	82.8
Foreign Common Stocks				
United States				
Johnson & Johnson	42,000	2,858,513	2,747,923	
Cisco Systems Inc.	100,000	2,413,356	2,368,882	
Microsoft Corporation	75,000	2,439,192	2,100,385	
Wyeth	42,000	2,122,573	2,048,864	
Comcast Corporation 'A'	90,000	1,877,755	1,738,028	
The Progressive Corporation	90,000	2,293,617	1,712,375	
Standard & Poor's 500 Depository Receipts	12,500	1,773,304	1,628,670	
American International Group Inc.	43,000	2,957,386	1,154,756	
		18,735,696	15,499,883	14.0
Britain				
Thomson Reuters PLC	79,547	2,494,373	2,167,309	
GlaxoSmithKline PLC ADR	32,000	1,772,994	1,439,531	
		4,267,367	3,606,840	3.2
Total foreign common stocks		23,003,063	19,106,723	17.2
Transaction costs		(190,074)	—	
Total portfolio of investments		\$ 98,135,412	\$ 111,248,953	100.0

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

NOTES TO FINANCIAL STATEMENTS June 30, 2008

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").

Adoption of new accounting policies - Financial Instruments Disclosure and Presentation

As at January 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation. The new standards replace section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standards increase the emphasis on the disclosure of risks associated with financial instruments and how those risks are managed. The previous requirements related to presentation of financial instruments have been carried forward unchanged. The

detailed risks of investing in the Fund are disclosed in the Fund's Simplified Prospectus. Refer to Note 3 for new disclosure relating to adoption of the new requirements.

Investments

The CICA's 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 7.

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 change 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 "change in unrealized appreciation (depreciation) on investments", respectively 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. 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. 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 2007 realized gains and losses from the sale of investments with a corresponding direct offset to change in 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 the period divided by the 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 period divided by the weighted average number of shares outstanding over the period.

3. Management of financial risk

In the normal course of business, the Fund is exposed to a variety of financial risks. The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, foreign exchange rates, economic conditions, and market and company news related to specific securities within the Fund.

Tradex Equity Fund Limited's investment objective is to achieve long-term capital appreciation by investing primarily in a diversified portfolio of common shares of Canadian companies plus shares from 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. To maintain adequate portfolio diversification, thus reducing risk, at least five S&P/TSX Composite Index industry sectors will be represented. Foreign content will be in the range of 20-40% of the total portfolio value at most times (the upper limit on foreign content is 50%).

The Fund's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by contracting and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions, market events and diversify the investment portfolio within the constraints of the investment guidelines.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. Currencies to which the Fund had exposure as at June 30, 2008, are as follows (\$' 000):

	Amount	Percentage of NAV (%)
U.S. Dollars	16,941	15.14%
British Pounds	2,167	1.94%

As at June 30, 2008, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$955,000. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(b) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. As at June 30, 2008, the Fund held no debt instruments and therefore did not have significant exposure to credit risk.

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when a fund invests in interest-bearing financial instruments. The majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

(d) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

As at June 30, 2008, essentially all of the Fund's Net Assets were traded on global stock exchanges. If equity prices on the global stock exchanges had increased or decreased by 5 percent as at the period end, with all other factors remaining constant, Net Assets could possibly have increased or decreased by approximately \$5,562,000, respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(e) Liquidity risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to daily cash redemptions of redeemable shares. The shares of the Fund are issued and redeemed on demand at the then current Transactional Net Asset Value per share at the option of the shareholder. Liquidity risk is managed by investing the majority of the Fund's assets (if not all of its assets) in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

4. 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 2008 and 2007.

As at December 31, 2007, the Fund had no capital and non-capital losses carried forward for income tax purposes.

Ontario Capital tax at a rate of 0.285% is levied against the capital of the corporation, with the first \$15 million in capital being exempt from this tax.

5. 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 0.7% 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 the second half of 2007, \$154,760 in expenses were reduced for the Fund through such transactions. It is anticipated that expenses for the Fund will be reduced in the second half of 2008, although it is not possible to forecast the amount at this time.

6. 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 periods ending June 30 were as follows:

	2008	2007
Outstanding, beginning of period	7,727,205	7,709,002
Issued	125,469	444,082
Redeemed	(357,086)	(377,397)
Outstanding, end of period	7,495,588	7,775,687

7. Reconciliation of Net Asset Value to GAAP Net Assets

	Net Asset Value	Section 3855 Adjustment	GAAP Net Assets
June 30, 2008			
Total Amount (\$)	112,196,906	(343,755)	111,853,151
Per Share (\$)	14.97	(0.05)	14.92

8. Brokerage fees

Total fees paid to brokers in connection with portfolio transactions during the last two periods ending June 30 were as follows:

2008	\$ 210,744
2007	\$ 199,861

9. Future Accounting Change

The Canadian Accounting Standards Board (AcSB) has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. The Fund will adopt all of the International Financial Reporting Standards in accordance with the AcSB's plan. The impact of the adoption of these standards is not known at this time.

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