

**2008**  
**Interim Management Report of Fund Performance**  
**and**  
**Interim Financial Statements**

**Tradex Global Equity Fund**

**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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**K1P 6L2**



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

### I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### Results of Operations

This was a very weak period for global equity markets as conditions in credit markets deteriorated and concerns regarding a slowdown in global economic growth intensified. In addition, during the second half of the period, renewed fears of inflation emerged as a result of increases in commodity prices.

During the first six months of 2008, an investment in the Fund declined in value by 7.9%, which is in line with the 7.5% decline in its benchmark, the MSCI World Total Return Index. Looking at individual markets around the world, the Dow Jones Industrial Average was down 14.4% while the U.S. S&P 500 Index was down 12.8%. Key European markets fared no better with the U.K. FTSE 100 Index down 12.9%, the French CAC Index down 21.0% and the German DAX Index down 20.4%. Asian markets were also weak with Japan's Nikkei 225 Index falling 11.9% and Hong Kong's Hang Seng Index down 20.5%. The Canadian market was the clear exception, and the best performing developed market in the world, with the S&P/TSX Composite Index increasing 4.6% during the first half of the year due to its very heavy weighting of energy and other commodity stocks. (All changes are in terms of local currency.)

During the first quarter, portfolio manager City of London Investment Management (CLIM) increased the Fund's portfolio weighting to the U.S. market to 47%, from 23% at year-end, with particular emphasis on export-oriented sectors. However, during the second quarter, in light of the deteriorating conditions in the U.S., the weighting was reduced back to 28%. On the other hand, while the combined exposure to continental Europe and the U.K. was reduced to less than 10% during the first quarter (versus 23% at year-end) it was increased to 26% by the end of the second quarter. Given the downdraft in markets since the start of the year, continental Europe and the U.K. are now seen by CLIM as offering greater value than the U.S. market as well as representing a more defensive positioning of the Fund.

The Fund's overall Asian exposure was increased to 32% during the first quarter as 10% of the Fund's assets were invested in the Hong Kong market while the Japanese exposure was reduced from 17% to 12%. Overall exposure to Asia was reduced only slightly during the second quarter (to 28%), but exposure to Hong Kong was reduced from 10% to 2%. On the other hand, exposure to Japan was increased to 18% since the Japanese market is also viewed as representing good value in this period of uncertainty.

The weighting to the mining sector was essentially eliminated during the first quarter as the position in Dundee Precious Metals Inc., a Canadian-based company with worldwide exposure to precious metals, was sold. Finally, The Fund's exposure to emerging markets remained at around 10% of the portfolio during the first quarter before being increased to about 13% during the second quarter. In general, emerging markets have held up

relatively well in the current environment of uncertainty and CLIM plan to gradually increase this exposure on any signs of a rebound in global equity markets.

Looking ahead, CLIM believe that markets will continue to be very volatile for at least a few more quarters. Thus, their overall strategy during the period has been to adopt a more defensive positioning for the portfolio until the current levels of uncertainty abate.

#### 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 \$27,811 in the first half of 2008 (including GST) and represents slightly less than 25% 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 the second half of 2007, \$33,920 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 \$87,518 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to City of London Investment Management Company Limited), 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 Unit (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 unit, beginning of period	\$ 11.14	\$ 12.30	\$ 10.55	\$ 11.45	\$ 10.73	\$ 8.20
Increase (decrease) from operations:						
Total revenue	\$ 0.13	\$ 0.19	\$ 0.08	\$ 0.26	\$ 0.19	\$ (0.01)
Total expenses	\$ (0.14)	\$ (0.26)	\$ (0.28)	\$ (0.28)	\$ (0.32)	\$ (0.27)
Realized gains (losses) for the period	\$ (0.71)	\$ 0.12	\$ 0.20	\$ 1.51	\$ 1.41	\$ 1.32
Unrealized gains (losses) for the period	\$ (0.17)	\$ (1.24)	\$ 1.89	\$ (1.72)	\$ (0.18)	\$ 1.49
Total increase (decrease) from operations (2)	\$ (0.89)	\$ (1.19)	\$ 1.89	\$ (0.23)	\$ 1.10	\$ 2.53
Distributions to investors:						
From investment income	\$ —	\$ —	\$ —	\$ 0.02	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ 0.12	\$ 0.70	\$ 0.55	\$ —
Total Distributions (3)	\$ —	\$ —	\$ 0.12	\$ 0.72	\$ 0.55	\$ —
Net assets per unit, end of period	\$ 10.26	\$ 11.14	\$ 12.37	\$ 10.55	\$ 11.45	\$ 10.73

- (1) The information for 2003-2007 is derived from the Fund's audited annual financial statements. Starting in 2007, net assets per unit represented in the audited financial statements differ from net asset value per unit 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 unit for pricing purposes (as opposed to the GAAP net assets per unit) was \$11.18 at the beginning of 2008 and \$10.30 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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data	2008	2007	2006	2005	2004	2003
Total net asset value, end of period (000's)	\$ 8,499	\$ 9,296	\$ 9,511	\$ 7,985	\$ 7,319	\$ 5,459
Weighted average net asset value (000's)	\$ 8,774	\$ 9,858	\$ 8,472	\$ 8,091	\$ 6,796	\$ 4,185
Number of units outstanding, end of period (000's)	825	831	769	757	639	509
Management expense ratio (1)	2.64%	2.18%	2.54%	2.42%	2.71%	3.16%
Management expense ratio before waivers or absorptions (1)	2.64%	2.52%	2.85%	2.71%	2.96%	3.16%
Trading expense ratio (2)	1.74%	1.05%	0.87%	0.86%	0.68%	1.31%
Portfolio turnover rate (3)	154.02%	204.62%	192.82%	164.74%	141.50%	323.41%
Net asset value per unit, end of period	\$ 10.30	\$ 11.18	\$ 12.37	\$ 10.55	\$ 11.45	\$ 10.73

- (1) Management expense ratio is based on total expenses (excluding broker commission 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 the 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 performance of a fund.

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

### III. PAST PERFORMANCE

#### General

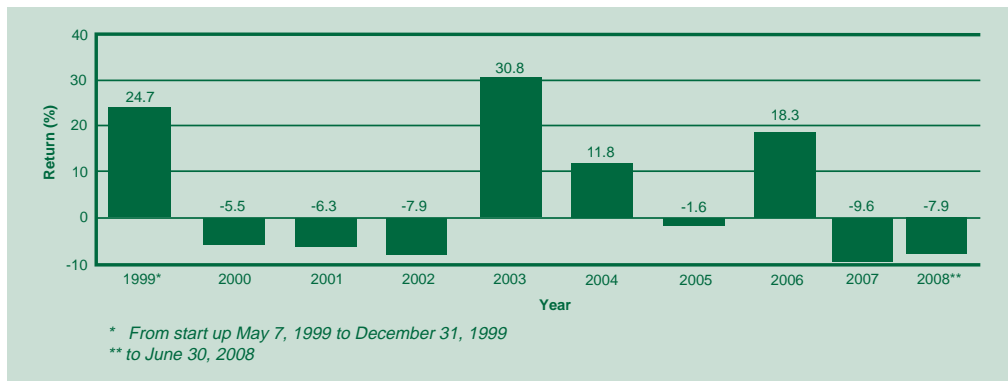
The Fund's past performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund.

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 units.

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 year 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 exposure of the companies in the portfolio is as follows. (This represents portfolio manager City of London Investment Management's estimate of the underlying country/region exposure associated with the various assets held by the Fund.)

United States	28%	Hong Kong	2%
Japan	18%	Switzerland	2%
U.K.	12%	Others/diversified	24%
Sweden	5%	Cash and net receivables	2%
Germany	4%	Total	100%
Brazil	3%		

The following investments represent the holdings of the Fund as of June 30, 2008 shown as a percentage of the Fund's total investment portfolio. 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.

Alliance Trust PLC	9.9%	Schroder Japan Growth Fund PLC	3.8%
World Trust Fund	9.4%	New Germany Fund	3.0%
Liberty All-Star Equity Fund	8.7%	Electra Private Equity PLC	3.0%
Investor AB	8.6%	Throgmorton Trust PLC	2.8%
SunAmerica Focused Alpha Large-Cap Fund Inc	7.8%	Caledonia Investments PLC	2.7%
iShares MSCI Japan Index Fund	7.5%	Edinburgh Worldwide Investment Trust PLC	2.2%
Templeton Global Growth Fund	6.9%	Martin Currie Portfolio Investment Trust PLC	2.0%
Canadian World Fund Limited	5.6%	Advance Developing Markets Trust PLC	0.2%
JPMorgan Japanese Investment Trust PLC	4.8%	The Israel Fund PLC	0.2%
Templeton Emerging Markets Investment Trust PLC	4.7%	Cash and net receivables	2.3%
Tri-Continental Corp.	3.9%	Total	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
<b>Assets</b>		
Investments, at market value * (Note 2)	\$ 8,251,458	\$ 8,497,881
Cash and short-term investments	133,347	93,470
Dividends receivable	6,432	72,004
Receivable for investments sold	489,032	2,352,298
Subscriptions receivable	277,673	4,575
	<b>9,157,942</b>	<b>11,020,228</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	50,871	54,902
Payable for investment purchased	637,876	1,705,356
Redemptions payable	100	1,062
	<b>688,847</b>	<b>1,761,320</b>
Net assets, representing unitholders' equity	\$ 8,469,095	\$ 9,258,908
Units issued and outstanding, end of period (Note 6)	825,444	831,108
<b>Net assets per unit (Note 2)</b>	<b>\$ 10.26</b>	<b>\$ 11.14</b>
* Investments at cost	\$ 8,927,191	\$ 9,040,507

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

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

Andrew Campbell  
Director

Karin Zabel  
Director

## STATEMENTS OF OPERATIONS *(Unaudited)*

	Six months ending June 30	
	2008	2007
<b>Investment Income</b>		
Revenue		
Dividends	\$ 131,739	\$ 30,888
Less foreign withholding taxes	(17,422)	(1,765)
	<b>114,317</b>	29,123
Interest	11,274	3,220
Foreign exchange loss	(20,158)	(5,606)
	<b>105,433</b>	26,737
Expenses <i>(Note 5)</i>		
Management fees	27,811	32,050
Investment advisory fees	49,726	46,355
Administration costs	17,405	25,643
Independent Review Committee	—	—
Audit fees	6,961	6,413
Custodian fees	5,968	7,396
Registration fees and expenses	7,458	7,228
Expense reductions <i>(Note 5)</i>	—	—
	<b>115,329</b>	125,085
<b>Net investment loss</b>	<b>(9,896)</b>	(98,348)
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Net realized gain (loss) on sale of investments	(514,540)	1,074,239
Change in unrealized depreciation on investments	(133,107)	(1,014,377)
Transaction costs <i>(Note 2)</i>	(76,066)	(55,678)
<b>Net gain (loss) on investments</b>	<b>(723,713)</b>	4,184
<b>Decrease in net assets from operations</b>	<b>\$ (733,609)</b>	\$ (94,164)
<b>Decrease per unit in net assets from operations <i>(Note 2)</i></b>	<b>\$ (0.89)</b>	\$ (0.12)

*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
<b>Net assets, beginning of period</b>	\$ 9,258,908	\$ 9,510,609
Change in accounting policy <i>(Note 2)</i>	—	(108,162)
	<b>9,258,908</b>	9,402,447
Add (deduct)		
<b>Operations</b>		
Net decrease in net assets from operations	(733,609)	(94,164)
<b>Units</b>		
Proceeds from issue of units	418,177	1,113,706
Consideration paid for redemptions of units	(474,381)	(460,560)
	(56,204)	653,146
<b>Net assets, end of period</b>	\$ 8,469,095	\$ 9,961,429

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

## STATEMENT OF INVESTMENT PORTFOLIO *(Unaudited) June 30, 2008*

	Number of shares	Average cost	Fair value	% of total fair value
<b>Foreign Equities</b>				
<b>United States</b>				
Liberty All-Star Equity Fund	123,095	\$ 826,663	\$ 733,066	
SunAmerica Focused Alpha Large-Cap Fund Inc.	40,760	676,207	657,674	
Tri-Continental Corporation	19,517	350,722	327,628	
		1,853,592	1,718,368	20.8
<b>Europe</b>				
Investor AB 'B'	33,850	748,764	726,790	
New Germany Fund Inc.	15,485	267,447	256,948	
Edinburgh Worldwide Investment Trust PLC	36,885	197,393	183,943	
The East German Investment Trust PLC	63,000	61,882	971	
		1,275,486	1,168,652	14.2
<b>Asia</b>				
iShares MSCI Japan Index Fund	50,400	659,928	639,800	
JPMorgan Japanese Investment Trust PLC	118,000	661,751	405,461	
Schroder Japan Growth Fund PLC	197,857	365,484	324,888	
		1,687,163	1,370,149	16.6
<b>Globally Diversified/Other</b>				
Alliance Trust PLC	132,448	919,772	838,389	
World Trust Fund	19,175	812,160	787,637	
Templeton Global Growth Fund	645,918	604,049	578,565	
Canadian World Fund Limited	96,977	431,906	473,248	
Templeton Emerging Markets Investment Trust PLC	48,144	413,826	396,735	
Electra Investment Trust PLC	8,226	261,448	251,304	
The Throgmorton Trust PLC	83,030	248,153	237,330	
Caledonia Investments PLC	6,225	254,506	228,663	
Martin Currie Portfolio Investment Trust PLC	67,100	175,773	170,372	
Advance Developing Markets Trust PLC	2,000	17,905	17,839	
The Israel Fund PLC	99,686	4,358	14,207	
		4,143,856	3,994,289	48.4
Total equities		8,960,097	8,251,458	100.0
Transaction costs		(32,906)	—	
<b>Total portfolio of investments</b>		<b>\$ 8,927,191</b>	<b>\$ 8,251,458</b>	<b>100.0</b>

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

## 1. *Background*

Tradex Global Equity 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 Global Equity Fund.

## 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 the 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 the 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, 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 is given 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”) on each valuation date 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.

### **Forward foreign exchange contracts**

The Fund enters into forward foreign exchange contracts for hedging purposes only. These contracts are limited to the market value of foreign securities owned by the Fund and quoted in that currency or where the underlying exposure is to that currency. Contracts do not exceed three years duration. On a daily basis, the value of these contracts is the gain or loss that would be realized if the positions were to be closed out. This is recorded in “change in unrealized appreciation (depreciation) on investments”. Upon closing of the contracts, the accumulated gains or losses are reported in “Net realized gain (loss) on investments”.

### **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 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. Dividend income and distributions to unit holders are recorded on the ex-dividend date.

## NOTES TO FINANCIAL STATEMENTS June 30, 2008 (cont'd)

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) 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 unit

"Net assets per unit" is based on the total net assets divided by the number of units outstanding as at the end of the period. The "increase (decrease) per unit 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 units 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 Global Equity Fund's investment objective is to achieve long-term capital appreciation by investing primarily in closed-end funds whose investments are principally in a diversified portfolio of equity securities of issuers based in any country. The Fund's investment approach involves deciding which of the world's stock markets, industry sectors and currencies have the best potential rate of return. Indirect investments in global stocks are made primarily through exchange traded closed-end fund companies managed by some of the world's leading investment firms. The Fund also invests in Index Participation Units (IPUs) which mirror the performance of a particular exchange index. Up to 25 percent of the book value of the portfolio may also be invested in shares of non closed-end fund companies listed on a recognized stock exchange. The Americas, Europe and Asia are all represented in the portfolio, with emerging markets not accounting for more than 20 percent of total investments. Funds representing a single country cannot account for more than 35 percent of the portfolio, with the exception of the United States. Foreign holdings will normally constitute 100%, or close to 100%, of the investment portfolio. Derivatives (forward contracts) may be used for foreign currency hedging purposes only.

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):

	Financial Instruments	Forward Contracts	Total	Percentage of Net Assets (%)
U.S Dollars	3,417	—	3,417	40.35%
British Pounds	3,056	—	3,056	36.08%
Australian Dollars	579	—	579	6.83%
Sweden Krona	727	—	727	8.58%

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 \$389,000. 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, 97% 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 \$401,000, 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 units of the Fund are issued and redeemed on demand at the then current Transactional Net Asset Value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority of the Fund's 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.

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 \$71,412 of non-capital losses all expiring in 2027 and \$335,812 in capital losses carried forward for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains.

**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 0.6% 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 the second half of 2007 \$33,920 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. 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 periods ending June 30, were as follows:

	2008	2007
Outstanding, beginning of period	831,108	769,155
Issued	39,510	88,832
Redeemed	(45,174)	(37,050)
Outstanding, end of period	825,444	820,937

**7. Reconciliation of Net Asset Value to GAAP Net Assets**

	Net Asset Value	Section 3855 Adjustment	GAAP Net Assets
June 30, 2008			
Total Amount (\$)	8,499,280	(30,185)	8,469,095
Per Unit (\$)	10.30	(0.04)	10.26

**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	\$76,066
2007	\$40,904

**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.

## BOARD OF DIRECTORS AND OFFICERS

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**Andrew F. Campbell**, *Ottawa, Ont.*

*Nunavut Trust  
Director and Treasurer*

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

*Treasury Board of Canada  
Director and Secretary*

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

*Tradex Management Inc.  
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**R. Allen Kilpatrick**, *Ottawa, Ont.*

*Atomic Energy of Canada Limited (retired)  
Director*

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Operations and Information Systems*

**Dr. Andrew R. Molozzi**, *Victoria, B.C.*

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*Tradex Management Inc.  
Vice President, Operations*

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

*Canadian Tourism Commission  
Director*

## CORPORATE AND UNITHOLDERS INFORMATION

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