



# Tradex Bond Fund

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## Why invest in Bonds?

- Bonds help *diversify* your portfolio and *reduce risk*.
- The performance of bonds over the last several years has been *consistently positive*.
- The short-term outlook for bonds is more *modest*.

## **Market Review**

### **U.S. Sub-Prime Market:**

- U.S. sub-prime market losses fuel liquidity crunch
- Several hedge funds invested in sub-prime loans fail
- Sub-prime market may trigger a broader U.S. economic slowdown

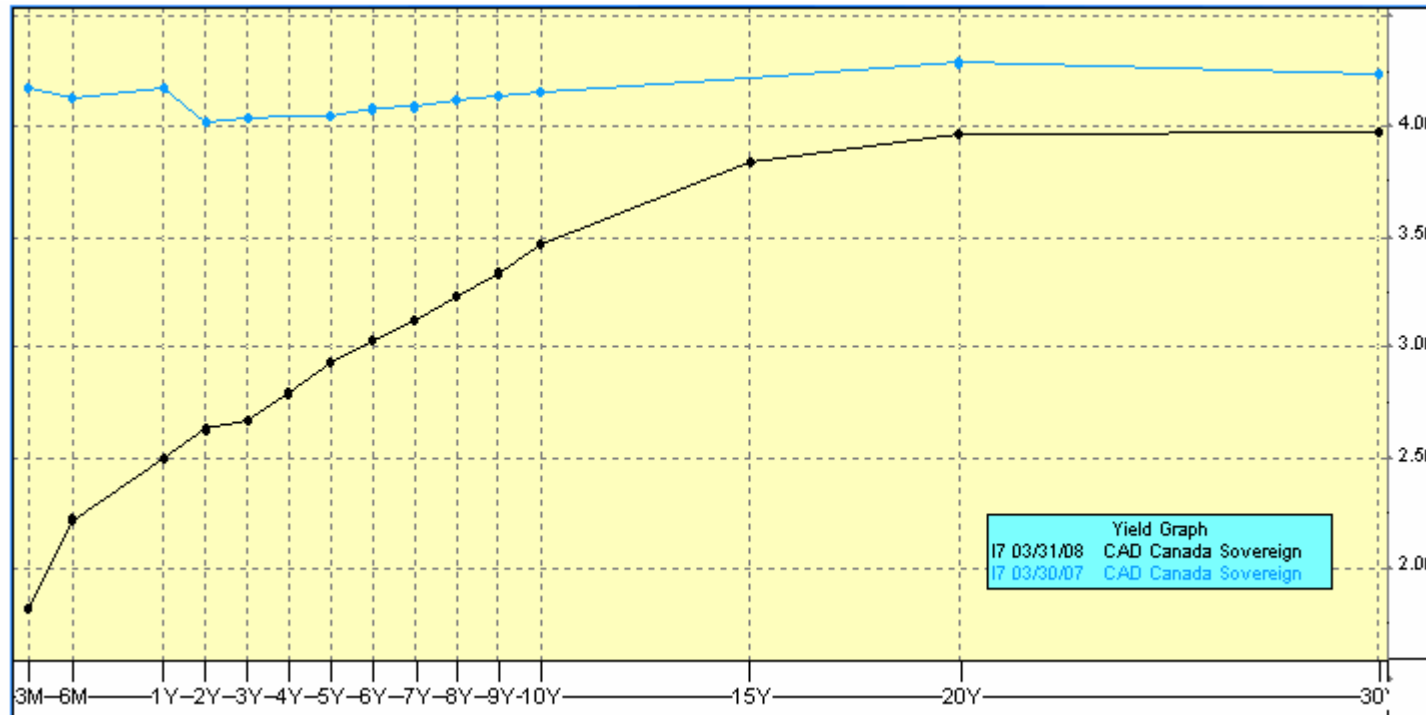
### **Canadian Money Market:**

- Coventree fails to find buyers for its commercial paper
- Problem surrounds private label asset-backed commercial paper
- Canadian banks support their asset-backed commercial paper conduits

## Review of “Outlook for Bonds 2007”

- **Economic growth in U.S. and Canada to be modest in 2007**
  - GDP in Canada and US slowed during the second half of the year.
- **Bank of Canada on hold for the time being; closely monitoring inflation**
  - Rates ended the year as they began at 4.25 %. B of C hiked rates by 25 bps in May 2007 and cut them by same amount in December 2007
- **Short term interest rates expected to be modestly lower by year-end**
  - Rates in the short-end declined on average by 30 bps.
- **Long term interest rates expected to be lower by year-end**
  - Rates in long-end declined on average by 7.5 bps.
- **Yield curve to invert by year-end**
  - Yield curve steepened. Difference between 2 year and 30 year yields is 36.6 bps.
- **Bonds to provide positive returns similar to those achieved in 2006**
  - The Fund's 1 year return was 2.6%, similar to the 2.7% that was achieved in 2006; performance remains positive.

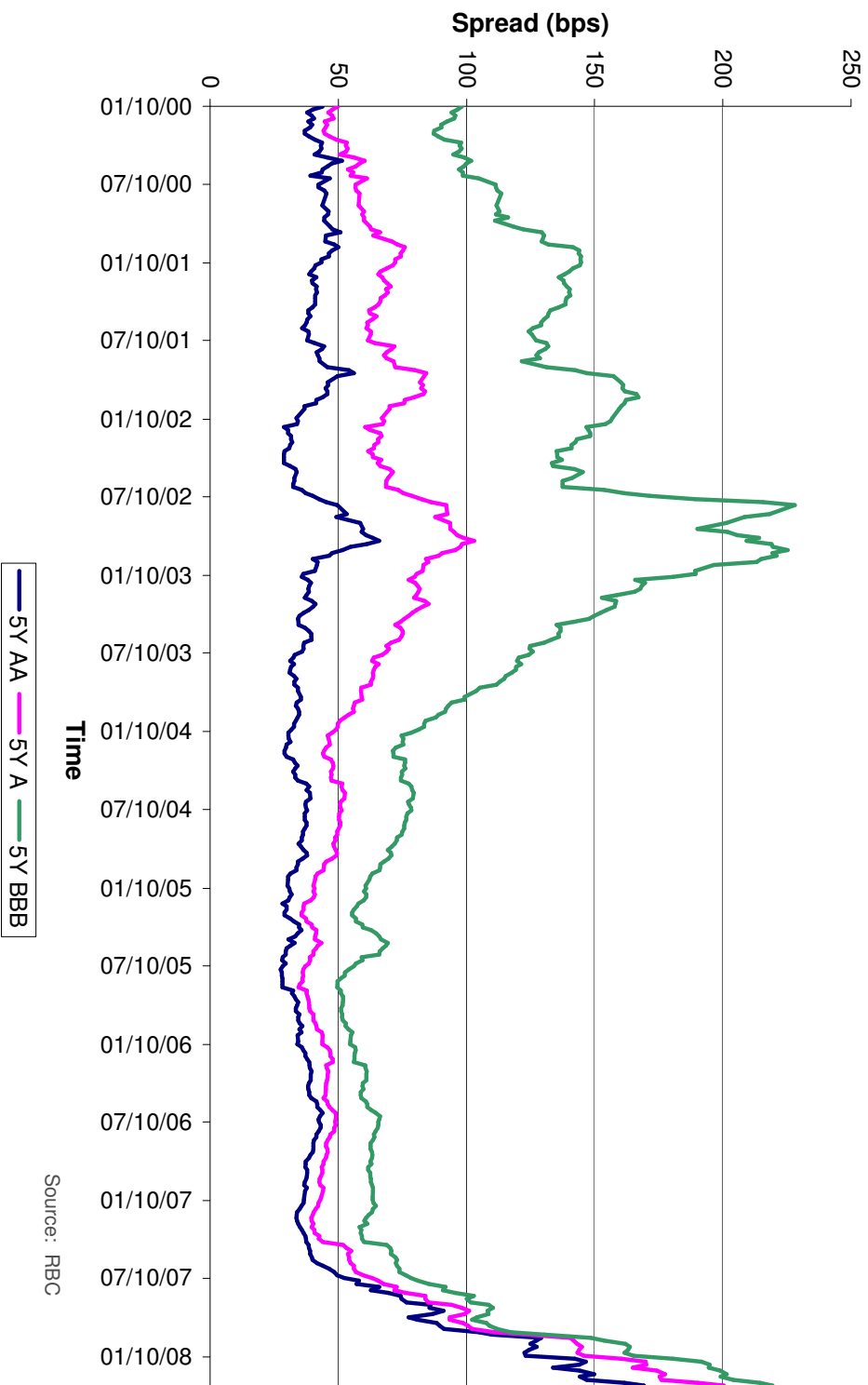
## Canadian Interest Rates - Recent Months



Source: RBC

- Bank of Canada has eased monetary conditions in recent months
- Front end of yield curve has been impacted the most by rate cuts
- Long end of yield curve little changed despite decline in inflationary pressure

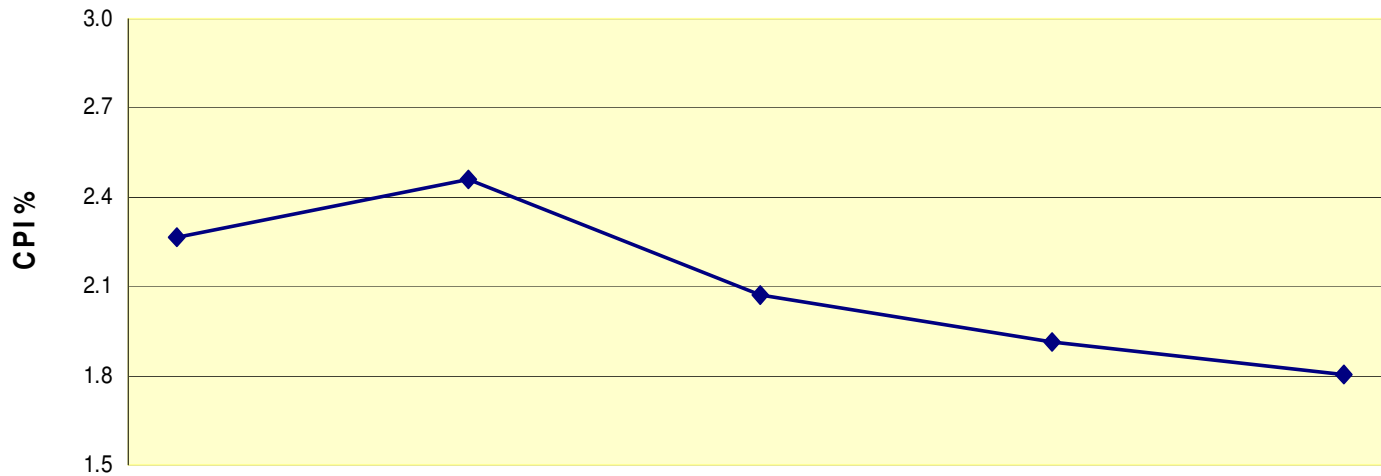
# 5 Year Corporate Credit Spreads



Source: RBC

Risk Aversion was the trend in 2007

# CPI Core Year Over Year % Change - Canada



	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08
—◆— Canada CPI (Core)	2.3	2.5	2.1	1.9	1.8

Period

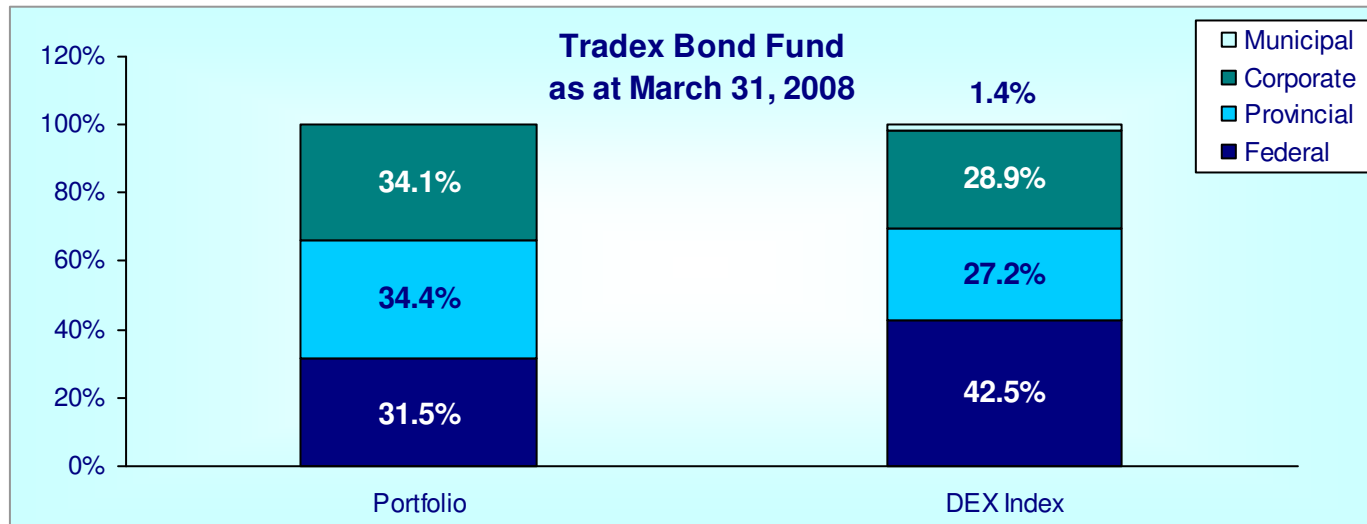
—◆— Canada CPI (Core)

Source: TDAM Inc.

## Tradex Bond Fund

- Quantitative investment approach
- Progressive but conservative strategy
- Diversified holdings
- Maximize income without undue risk
- Solid credit quality

## Tradex Fund Characteristics versus DEX



- Well diversified portfolio
  - Sector
  - Yield curve
- Sound credit quality
  - Minimum investment grade
  - Credit review process

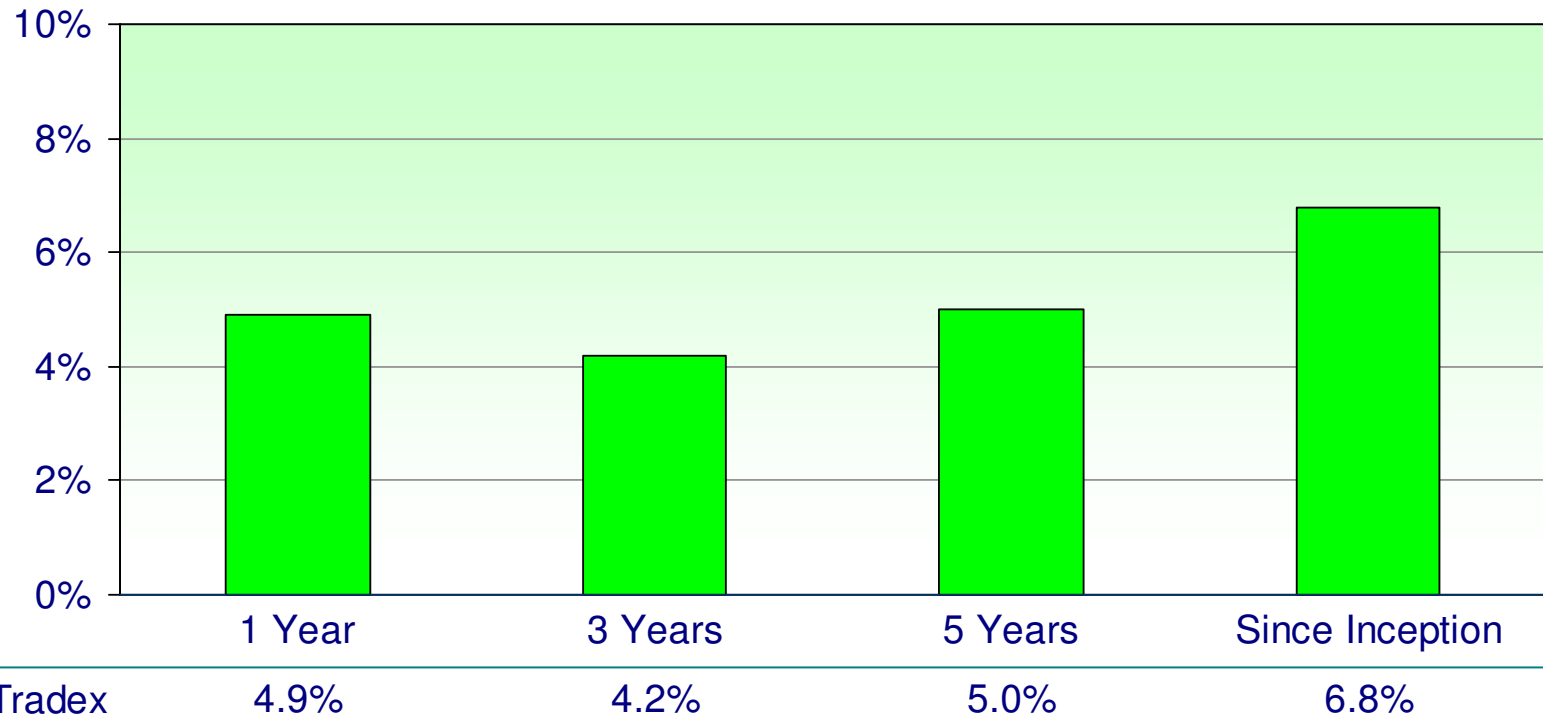
Over exposure to short Provincial and Corporate Bonds



# Tradex Management Inc.

## Compounded Annual Rates of Return

Performance as of March 31, 2008



Inception Date: September 30, 1989  
Return: Post Expense, numbers may not add due to rounding

**Assets at March 31, 2008:**  
**\$10,065,068**

## Outlook for Bonds 2008

- Bank of Canada to continue to cut rates throughout the year
- Yield curve should steepen (i.e. difference between short and long rates will become greater)
- Inflation in 2008 should remain in the low end
- Credit spreads should stabilize and begin to come in for bonds rated A or higher towards the end for 2008
- Bond returns for the fund should be better than 2007



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