Tradex

QUARTERLY

First quarter 2005

President's Report to Tradex Investors

The Canadian equity market (S&P/TSX Composite Index) gained 4.0% during the first quarter, led by strength in energy and mining stocks. In contrast, the blue-chip Dow Jones Industrial Average and the broader based U.S. S&P 500 Index were both down 2.6% (in U.S. dollar terms). Thus, once again the Canadian market outperformed its U.S. counterpart by a considerable margin.

Trading in the Canadian dollar was choppy during the quarter, with the market lacking any real conviction as to the dollar's future direction following its major run-up during the past two years. After finishing 2004 at 83.19 cents U.S., the Canadian dollar traded in a range of 79.47 to 83.70 U.S., before closing the period at 82.67 cents U.S.

Meanwhile, short and medium term yields in Canada moved somewhat higher during the quarter primarily in response to higher short term interest rates in the U.S. However, longer term rates were little changed and remained at very low levels by historical standards.

Lower Management Expense Ratios

We are very pleased to inform investors that we were once again able to achieve significant reductions in the management expense ratio (MER) for each of the three Tradex Funds in 2004 as follows:

	2004 MER	2003 MER
Tradex Equity Fund Limited	1.29%	1.35%
Tradex Bond Fund	1.42%	1.53%
Tradex Global Equity Fund	2.71%	3.16%

The Globe and Mail reports that the management expense ratio for the median Canadian equity fund was 2.87% in 2003 (medians for 2004 are not yet available), more than double that of Tradex Equity Fund Limited. The 2003 median for Canadian bond funds was 1.96% while the median for global funds was 2.94%. Since the Tradex Funds are operated on an "at cost" or "break even" basis, the $115 million (at year-end) Tradex Equity Fund Limited enjoyed greater economies of scale than the smaller $11.6 million Tradex Bond Fund and $7.3 million Tradex Global Equity Fund.

In 2004, we were able to reduce management expenses by a total of $87,700 for the three Funds through rebating/waiving a portion of the Tradex management fees. This was made possible thanks to the higher revenue we received from the increase in assets under administration at Tradex, including revenue from administering third-party mutual funds.

Two important items in the February 23 Budget

The February 23, 2005 Federal Budget announced an increase in Canada Deposit Insurance Corporation coverage from $60,000 to $100,000 and also that the 30% RRSP foreign content rule is being eliminated. These changes will become law, retroactive to February 23 and January 1, respectively, if Parliament approves the Budget Implementation Bill. Tradex Investment Savings Accounts are eligible for CDIC insurance since the deposits are held at Manulife Bank of Canada, a wholly owned subsidiary of Manulife Financial, one of Canada's largest financial institutions. The interest rate payable on the account is currently 2.45%, representing one of the most attractive daily interest rates available in Canada.

Tradex is moving...two floors down

Effective June 1st, Tradex will be moving to the 9th floor of the Clarica Centre to accommodate our neighbour, Canadian Commercial Corporation, who will be renting the entire 11th floor. Our street address, postal code and telephone number will all be unchanged. The only change will be our suite number, which will now be suite 920 rather than suite 1120. We look forward to seeing you in our new quarters starting June 1st.

Robert White.

Robert C. White
April 13, 2005

Tradex Equity Fund Limited – Quarterly Review – March 31, 2005

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Equity Fund Limited (TEF)	3.7	12.1	10.7	5.6	3.1	11.2	10.6
S&P/TSX Total Return Index**	4.4	11.9	13.9	8.9	2.0	10.2	—
Median Canadian Equity Fund**	3.3	11.1	11.3	5.9	4.5	9.7	—

*April 1960 **Source: Globe Information Services

The value of each Tradex Equity Fund Limited share increased by 3.7% during the quarter while over the past year the value of each share has increased by 10.7%.

The S&P/TSX Total Return Index was up 4.4% during the quarter, primarily as a result of the strength in the Energy and Metals & Mining sectors. In contrast, the combination of decelerating earnings growth, soaring energy prices and rising interest rates resulted in the more broadly based U.S. S&P 500 Index closing the period down 2.6%. While the foreign portion of the portfolio was once again a drag on performance, portfolio manager Phillips, Hager and North (PH&N) continue to believe that this portion of the portfolio (which represents close to 25% of its total value) provides valuable diversification from the rather narrow Canadian equity market, and will augment overall returns over the long run.

The Energy sub-index of the S&P/TSX Composite Index, which gained more than 17% during the quarter, accounted for more than half of the year-to-date gain in the Canadian market. Although the Fund's overall exposure to the Energy sector is less than the sector's weight in the S&P/TSX Composite Index, PH&N's selection of individual stocks made up for the lighter industry exposure. This included strong performances by Calfrac Well Services, Duvernay Oil, EnCana, ShawCor and Suncor (three of which are now in the Fund's top 12 holdings versus only one at year-end). PH&N are monitoring this sector very carefully as a number of factors suggest that it might be time to reduce the Fund's exposure in this area. What has so far prevented them from taking such action is the very real possibility that the cycle could be extended since demand shows no signs of abating while production and capital investment in the area have been surprisingly slow to respond to take advantage of the very attractive commodity pricing.

As at March 31, the Fund's top 12 holdings were:

Royal Bank	7.5%	Duvernay Oil	3.3%
Manulife Financial	7.2%	Power Corp.	2.8%
EnCana	6.4%	Thomson Corp.	2.7%
TD Bank	4.6%	CIBC	2.6%
Telus "A"	4.0%	Suncor	2.5%
Potash Corp of Sask.	3.9%	Biovail	2.4%

During the quarter new positions were taken in Highpine Oil and Gas Ltd. (a junior energy company, with the position purchased through an initial public offering) and Reed Elsevier (a London-based specialized publication company). In addition, the Fund's positions in The Jean Coutu Group, Thomson Corp. and Microsoft were increased significantly. To make room for these purchases, positions were eliminated in Enerflex Systems, West Fraser Timber, Merck, Caremark RX and Marsh & McLennan.

Overall, PH&N continue to view equities as attractive, particularly relative to many other types of investments such as cash, bonds, income trusts and real estate. In their view, equity valuations are fair, economic conditions are favourable, corporate fundamentals continue to improve, and investor sentiment remains focused on "safer" investments. They believe that the current period of uncertainty is a normal, healthy part of the equity market cycle - which they believe to be very much intact, with several years left to run.

Tradex Bond Fund – Quarterly Review – March 31, 2005

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Bond Fund (TBF)	0.7	3.5	3.6	6.6	6.1	6.9	7.3
SCM Universe Bond Total Return Index**	1.1	4.2	5.0	8.3	7.7	8.6	—
Median Canadian Bond Fund**	0.6	3.3	3.2	6.2	5.7	7.0	—

*September 1989 **Source: Globe Information Services

A Tradex Bond Fund investment increased in value by 0.7% during the quarter, including the 12-cent per unit distribution at quarter-end. Over the past year, the value of an investment in the Fund has increased by 3.6%.

Yields on short-term bonds and treasury bills moved somewhat higher during the quarter. At the same time, yields on long-term bonds (10-years and over) were unchanged to lower, resulting in a flattening of the yield curve (i.e., a narrowing of the interest rate spread between short-term yields and long-term yields). This can be seen by the recent movement in yields on Government of Canada bonds, as follows:

Term to Maturity	Yield Dec.31, 2004	Yield March 31, 2005	Change
2 years	2.99%	3.27%	+0.28%
3 years	3.19%	3.49%	+0.30%
5 years	3.66%	3.74%	+0.08%
10 years	4.30%	4.32%	+0.02%
30 years	4.83%	4.71%	-0.12%

The Bank of Canada decided to leave the target for its key policy overnight interest rate unchanged at 2.5 per cent at each of its two policy setting meetings during the period. In its analysis, the Bank indicated that the Canadian economy is expected to operate a little further below its full production capacity in 2005 than was anticipated last Fall, largely reflecting the dampening effects on aggregate demand of the recent appreciation of the Canadian dollar. In addition, core inflation, at 1.8% over the past twelve months, remained below the Bank's two per cent target. Meanwhile, the U.S. Federal Reserve continued to raise its target policy rate at the "measured pace" of one-quarter of one percentage point (to 2.75 per cent) at each of its two policy meetings during the quarter.

The low level of long-term interest rates has surprised most market participants, including central bankers who were very candid in their comments about the topic. Indeed, in his testimony to Congress in mid-February, U.S Federal Reserve Chairman Greenspan stated, "...for the moment, the broadly unanticipated behaviour of world bond markets remains a conundrum". Echoing these comments, Bank of Canada Governor Dodge stated, "We (central bankers) certainly do not understand why long rates have been so low..." Since mid-February long-term rates have risen somewhat (particularly in the U.S.), but they remain low by historical standards.

In January 2005, the Tradex Bond Fund's investment guidelines were changed to increase the asset allocation to provincial and corporate bonds. The goal of this change is to enhance the running yield on the portfolio while at the same time continuing to contain the level of risk. At quarter-end, 35% of the Fund's assets were invested in bonds issued or guaranteed by the Government of Canada (versus 46% at year-end), 33% in provincial government bonds (versus 26%), and 32% in corporate bonds rated "single A" or better (versus 27%).

Tradex Global Equity Fund – Quarterly Review – March 31, 2005

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	Since inception*	10 years
Tradex Global Equity Fund (TGE)	0.9	6.3	–2.3	9.3	2.4	7.2	—
MSCI World Total Return Index ($ Cdn)**	–0.5	6.2	2.5	–2.5	–6.0	—	6.4
Median Canadian Global Equity Fund**	–0.7	5.9	–0.4	–2.9	–5.8	—	5.9

*May 1999 **Source: Globe Information Services

This was a lackluster quarter for most major equity markets, with the U.S. S&P 500 Index down 2.6%, the Japanese Nikkei 225 Index up 1.6%, the U.K. FTSE 100 Index up 1.0% and the German DAX Index up 2.1% (all changes are in terms of local currency). In this environment, the value of each unit in the Tradex Global Equity Fund increased by a modest 0.9% over the quarter whereas the Fund's benchmark, the MSCI World Total Return Index was down 0.5%

During the quarter, portfolio manager City of London Investment Management Company Limited (CLIM) once again positioned the portfolio to be defensive vis-à-vis the U.S. market. The Fund's exposure to the U.S. market was reduced to 17% at the end of the period versus 33% at year-end. This compares to the benchmark weighting of approximately 52% for the U.S. market.

The Fund's weighing to the Japanese market was increased to 30% during the quarter versus the benchmark weighting of 10%. CLIM believes that the fundamentals for the Japanese market have recently strengthened (particularly compared to the U.S. market) following the prolonged period where the Japanese market has under performed. Also, the weighting to Hong Kong has been increased to 4%.

Meanwhile, the 15% portfolio weighting to the United Kingdom was little changed from year-end. CLIM continues to believe that the U.K equity market represents good value and also that the U.K. currency will perform well in the coming months. The 14% combined weighting to Canada, Australia and South Africa reflects primarily CLIM's continued positive view on the outlook for resource stocks, particularly given the firm's cautious outlook for the U.S. currency. Finally, at quarter-end, approximately 6% of the Fund's assets were invested in various emerging market countries (excluding South Africa) and 5% was held in cash.

Tradex
mutual funds
for the public sector

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