Tradex QUARTERLY

Second quarter 2007

President's Report to Tradex Investors

This was a very eventful quarter in financial markets with the Canadian dollar reaching its best level versus its U.S. counterpart in 30 years and the Canadian equity market setting record highs.

The Canadian dollar, which started the period at 86.61 cents U.S., showed remarkable strength, rising to an end-of-day high of 94.52 cents U.S on June 6, before closing the quarter at 93.86 cents U.S. The last time the Canadian dollar traded above 94 cents U.S. was in July 1977.

The Canadian equity market (S&P/TSX Composite Index) reached new highs on a number of days during the quarter, topping the 14,000 level for the first time. The market peaked at 14,176 on June 18 before retreating to 13,907 at quarter-end. The Index increased by 5.6% for the quarter and is up 7.7% year-to-date. Meanwhile, the U.S S&P 500 and Dow Jones Industrial Average also reached record highs during the quarter, closing the period with year-to-date increases of 6.0% and 7.6%, respectively.

While the Bank of Canada once again kept its overnight policy interest rate unchanged during the quarter, in its May 29 rate announcement press release it indicated that there was a strong chance that it would raise its policy rate in the near future as Canada's inflation rate remains above the Bank's target. This, along with weakness in the U.S. bond market, led to a sharp increase in bond yields.

Two endorsements for Tradex from independent publications

In its April 24th edition the *Canadian Mutual Fund Adviser*, one of the most respected mutual fund newsletters in Canada, recommends purchasing the two Tradex equity funds. The publication makes the following summary comment about Tradex, "If you or a member of your immediate family are, or once were, employed by the Government of Canada, any provincial government or any crown corporation, you have a valuable investment vehicle available." With reference to Tradex Equity Fund Limited, the publication states, "We recommend this fund as a buy if you're looking for a somewhat aggressive Canadian stock fund". For Tradex Global Equity Fund it states, "We recommend this fund if you're looking for an attractive way to add the growth potential of global stocks to your portfolio".

Also, the June 2007 edition of the highly respected *Canadian Moneysaver* highlights Tradex Management Inc. in an article dealing with getting the best value-for-money for mutual fund investors with a do-it-yourself bent. The article is entitled "Options for Do-it-Yourself Fund Investors" and was written by financial journalist Jeff Buckstein. Both articles appear on the Tradex web site under the heading "Reports/News."

We welcome aboard a new employee

We are pleased to announce that Luc Bisaillon has joined Tradex as our new Trading Associate. Luc graduated from the University of Ottawa with a Bachelor of Commerce degree in May. He is currently enrolled in the Canadian Investment Funds course and is scheduled to become a licensed salesperson in the Fall. We welcome Luc to the Tradex team.

Presentations at Tradex Annual General Meeting

If you missed the Tradex Annual General Meeting held on April 25, you might want to view the presentations given by our three portfolio managers, Phillips Hager & North, City of London Investment Management and TD Asset Management, on our web site at www.tradex.ca. These presentations, along with my remarks, appear in the section entitled "Reports/News".

Yield on Tradex Investment Savings Account increased

Effective July 11, 2007, the yield on the Tradex Investment Savings Account has been increased to 4.00% from 3.75%.

Robert White.

Robert C. White
July 14, 2007

Tradex Equity Fund Limited – Quarterly Review – June 30, 2007

	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)	3.9	5.8	21.8	12.9	12.7	8.3	10.8
S&P/TSX Total Return Index**	6.3	9.1	22.7	20.1	16.6	9.9	—
Median Canadian Equity Fund**	3.9	6.2	19.0	15.9	12.4	8.7	—

*April 1960 **Source: Globe Information Services

The rate of return on the Fund was 3.9% during the second quarter while over the past year the rate of return has been 21.8%.

As at June 30, 2007 the Fund's top 12 holdings were as follows:

Manulife Financial	6.5%	Rogers Communications "B"	3.0%
Royal Bank of Canada	5.1%	Royal Bank of Scotland (U.K.)	2.8%
TD Bank	4.0%	Jazz Air Income Fund	2.7%
Telus "A"	3.6%	EnCana Corp.	2.7%
BCE	3.0%	Great-West Lifeco	2.6%
Duvernay Oil	3.0%	Magna International "A"	2.5%

Trading activity was heavy during the quarter as portfolio Manager Phillips Hager & North (PH&N) made adjustments on a number of fronts. PH&N's view is that we are entering the later stages of the current equity bull market, with an accompanying increase in risk. In light of this view, they continue to take a focused, conservative approach in positioning the portfolio, mindful of downside risk versus upside potential. Their approach centers on understanding the quality, sustainable fundamentals (e.g., earnings, growth potential, debt, etc.) and valuations of companies, and anticipating how their shares are likely to perform under each of the various scenarios that may unfold over the next year or two. In this environment, they are particularly interested in investing in stable businesses that they believe to be undervalued, and where downside risk is manageable in the event of a slowing economy or a sudden change in activity in the area of mergers and acquisitions.

Reflecting their views, during the quarter new positions were established in Loblaw and two energy services companies; TransCanada Corporation and CCS Income Trust. All three are stable businesses offering good upside potential from a combination of intrinsic growth and improving investor perception. Downside risk is mitigated by the companies' attractive valuations at the time they were purchased by the Fund, and the defensive nature of their businesses. In addition, new positions were established in BCE and Magna International. Both investments were made to take advantage of proposed corporate transactions.

PH&N also added to the portfolio a basket of natural gas companies operating in western Canada: Anderson Energy, Crew Energy, Peerless Energy and Rider Resources. These holdings give the Fund additional exposure to an expected improvement in natural gas prices later this year or early next year. Also added was Petro Andina Resources, a fast-growing, intermediate-size oil and gas producer operating in Argentina.

In order to make room for the above purchases, the foreign portion of the portfolio was reduced to 22.0% of the total portfolio value, from 28.5% at the start of the quarter, primarily through the sale of four foreign positions; Tyco International, Sysco Corporation, Pfizer and Cadbury Schweppes. Foreign stock markets performed well during the quarter but their gains were offset by the remarkable strength of the Canadian dollar (up 8.4% versus its U.S. counterpart). While it is not possible to predict when the Fund's foreign holdings will outperform Canadian equities, they increasingly appear to offer downside protection, attractive valuations and reasonable long-term growth—a valuable combination in the current market environment.

During the quarter four domestic positions were also eliminated; CGI, Supremex, Sherritt International and Custom Direct Income Fund. At the same time, holdings in a number of companies were trimmed, including holdings in some major financial institutions where the Fund "took profits" following the strong performance of this sector in the recent past.

Tradex Bond Fund – Quarterly Review – June 30, 2007

	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)	-2.1	-1.8	3.4	3.9	4.4	4.9	6.7
SCM Universe Bond Total Return Index**	-1.7	-0.8	4.8	5.2	6.0	6.4	—
Median Canadian Bond Fund**	-2.1	-1.6	3.1	3.5	4.2	4.6	—

*September 1989 **Source: Globe Information Services

The sharp increase in bond yields during the second quarter led to negative returns for bond investors for the first half of 2007. In this regard, an investment in the Tradex Bond Fund decreased in value by 1.8% during the last six months. However, over the past year, the return has been positive 3.4%.

As indicated in the table on the right, yields on 2-5 year Government of Canada benchmark bonds moved 55-60 basis points higher during the quarter while yields on 10-30 year maturities increased 30-45 basis points. In mid-June, when yields peaked, interest rates on 5-year and under Government of Canada bonds reached their highest levels in 5-6 years while the yield on the 10 year maturity was at its highest level in almost 3 years.

Term to Maturity	Yield Dec. 31, 2006	Yield Mar. 31, 2007	Yield June 30, 2007
2 years	4.02%	3.98%	4.58%
3 years	3.99%	3.99%	4.58%
5 years	3.99%	4.01%	4.55%
10 years	4.08%	4.11%	4.55%
30 years	4.14%	4.20%	4.49%

Source: Bank of Canada. Mid-market yields on benchmark issues.

As expected, once again both the Bank of Canada and the U.S. Federal Reserve kept their key policy overnight interest rate unchanged at each of their two policy setting meetings during the quarter. However, economic growth in Canada has come in stronger than the central bank had been expecting and the inflation rate has been higher than anticipated. As a result, whereas in the previous quarter the Bank of Canada had indicated that the risks to its inflation projection were roughly balanced, it was much more “hawkish” in its May 29 rate announcement press release stating, “On balance, the Bank judges that there is an increased risk that future inflation will persist above the 2 per cent inflation target and that some increase in the target for the overnight rate may be required in the near term to bring inflation back to the target.”

Given the Bank’s May 29 statement and subsequent incoming economic data, by quarter-end most market participants were expecting the Bank to raise its policy rate at least twice by year-end. At the same time, signs that U.S. economic growth is picking up has led to increased expectations that the U.S. Federal Reserve will not lower its policy rate later in the year, as previously expected. Also, due to inflation fears, a number of other central banks increased their policy interest rate during the quarter and the consensus view is that there will be further policy tightening in the coming months.

At quarter-end, there were 56 individual bond issues in the portfolio (versus 49 at the end of the previous quarter), with 33% of the Fund’s assets being invested in bonds issued or guaranteed by the Government of Canada, 28% in provincial government bonds and 39% in corporate bonds rated “single A” or better. It is worth noting that included in the “corporate” portion of the portfolio is a Canadian dollar denominated bond issued in Canada that is guaranteed by the Government of Germany. This bond issue, which pays higher interest than corresponding Government of Canada bonds, represents approximately 9.8% of the Fund’s total portfolio value and illustrates how portfolio manager TD Asset Management can realize the goal of enhancing the portfolio’s rate of return while at the same time limiting risk.

Tradex Global Equity Fund – Quarterly Review – June 30, 2007

	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)	-3.3	-1.5	17.0	5.3	9.5	6.8	—
MSCI World Total Return Index ($ Cdn)**	-1.6	-0.1	18.4	8.6	6.7	—	4.7
Median Canadian Global Equity Fund**	-0.7	1.2	16.4	7.8	5.6	—	5.4

*May 1999 **Source: Globe Information Services

During the quarter, the value of each unit in the Tradex Global Equity Fund decreased by 3.3%, while over the past year the rate of return has been positive 17.0%.

While major foreign equity markets recorded solid gains during the quarter in terms of local currencies, for Canadian investors these gains were offset by the strength of the Canadian dollar. Over the period, the Canadian dollar gained 8% versus the U.S. dollar, 7% versus the Euro, 13% versus the Japanese yen and 6% versus the British pound.

In Europe, the German DAX Index was again the best performing developed European equity market in the second quarter, rising 16%. The U.K. FTSE 100 Index and French CAC Index rose around 5% and 7%, respectively, while the Swiss Market Index rose 3%. In Asia, Japan’s Nikkei 225 Index rose 5% while Hong Kong’s Hang Seng Index rose 10%. Among U.S. markets, the Dow Jones Industrial Average was the best performing market, rising 8.5%, while the S&P 500 Index and NASDAQ Composite Index reported gains of 6% and 7.5%, respectively. (All changes are in terms of local currency).

A summary of the investment portfolio broken down by the location of the exposure of the companies in the portfolio is as follows:

Japan	26%	South Asia/Australia	5%
U.S.	15%	Emerging Europe	4%
U.K.	14%	South Africa	4%
Continental Europe	11%	Other/Diversified	7%
Canada	8%	Cash	6%

Portfolio manager City of London Investment Management (CLIM) reduced the Fund’s U.S. market exposure from 33% to 15%, as it “took profits” with respect to recent U.S. dollar denominated market gains. Most of the proceeds from the U.S. sales were recycled into Japan, as exposure to this market rose from 17% to 26% during the quarter. CLIM continues to feel optimistic towards the Japanese market based on the view that equities will benefit from sustained economic growth and the slow return of a modest amount of domestic inflation. At the same time, the weakness in the yen has created a favorable environment for Japanese exporters.

The weighting to the U.K. was increased to 14% from 8% at the start of the period while the weighting to continental Europe was held unchanged at 8%. The Fund continued to hold approximately 15% of its portfolio weighting in precious metals as reflected in part by the 4% exposure to South Africa and the fact that at quarter-end 7% of the Fund’s portfolio value was held in Dundee Precious Metals Inc., a Canadian based company with worldwide exposure to precious metals, some of which is in emerging Europe.

Emerging market exposure contributed positively to the Fund’s performance as the Morgan Stanley Capital International Emerging Markets Index rose 14% during the period. The Fund’s emerging market exposure, which was approximately 9% at the start of the period (excluding precious metal exposure), was reduced to approximately 6% towards the end of the period. At the same time, the Fund’s cash position was increased to 6% at quarter-end versus 3% at the end of the previous quarter.

Tradex
mutual funds
for the public sector

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A great way to turn your savings into a valuable investment.

Everyone has something special to save for…a new home, a child's education, a secure retirement. Various savings plans, including the Canada Savings Bond Payroll Savings Plan, have helped millions of Canadians save for the important things in life. For individuals with a long-term investment horizon, we believe that the Tradex Systematic Savings Plan is second to none. That's because the Tradex Savings Plan not only makes saving easier, but it also offers you a great choice of investments.

We believe that, in line with historical trends, equity markets will continue to move higher over time and that investors will be rewarded accordingly. But, as always, markets will be volatile over shorter time periods. That's why we are so keen on promoting a "dollar-cost-averaging" approach to investing.

With dollar-cost-averaging, you invest the same amount at regular intervals. When unit prices are low, more units are purchased. Conversely, when unit prices are higher, fewer units are purchased. Thus, dollar-cost-averaging helps smooth out the market swings faced by all investors.

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For more information of Tradex, see our web site at www.tradex.ca