Tradex QUARTERLY

Second quarter 2008

President's Report to Tradex Investors

Record high energy prices, the very fragile state of the U.S. economy and the weak U.S. housing market dominated financial news during the second quarter. In response, equity markets in the U.S. and most other countries continued to move lower during the quarter. Indeed, during the first half of the year, the Dow Jones Industrial Average was down 14.4% while the U.S. 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% during the first six months of 2008. 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.

During the quarter the Bank of Canada and U.S. Federal Reserve shifted their policy emphasis to balancing concerns regarding economic weakness with the emerging risk of increased inflation. As a result, in June both central banks left their target overnight policy interest rate unchanged after having eased aggressively during the first 4 months of the year. In this environment, yields on Government of Canada bonds, which had reached 50-60 year historical lows in mid-March, moved higher during the second quarter.

Meanwhile, the Canadian dollar was slightly stronger versus its U.S. counterpart, ending the quarter at 98.07 cents U.S. versus 97.50 at the end of the first quarter (but lower than its year-end level of 100.88 cents U.S.).

New Investor Representatives

We welcome Basia Ruta as the new Investor Representative on the Tradex Equity Fund Committee and Brian Askett as the new Investor Representative on the Tradex Global Equity Fund Committee. Basia, who is a Chartered Accountant, is currently Assistant Deputy Minister, Finance and Corporate Branch of Environment Canada. Brian, who is a long-time Tradex Member, was Acting Director, Domestic and Foreign Operations and International Banking at DFAIT at the time of his retirement in 2007. Prior to being posted to the Canadian Embassy in Berlin in 2002, Brian served as the Investor Representative on the Tradex Bond Fund Committee. We want to thank Alison Lawson and Michael Grant, who are retiring as Investor Representatives following a number of years of service, for their significant contribution to Tradex.

Don't forget, Tradex also distributes GICs

At the present time a number of deposit taking institutions continue to offer attractive rates on GICs. If you are interested in purchasing GICs we recommend that you get a quote from Tradex first since we distribute GICs for a number of banks and trust companies. Typically, we can obtain a considerably better rate for you than offered by the major banks. And, of course, GICs are eligible for CDIC insurance coverage of up to $100,000 per account in accordance with CDIC rules and regulations.

The Tradex Investment Savings Account is a great place to "park" your money.

The Tradex Investment Savings Account is currently yielding 3.00% (rate subject to change without notice). It's a great place to "park" your money until you're ready to deploy it elsewhere. Like GIC's, the Tradex Investment Savings Account is eligible for CDIC insurance coverage of up to $100,000 per account in accordance with CDIC rules and regulations.

Robert White

Robert C. White
July 11, 2008

Tradex Equity Fund Limited – Quarterly Review – June 30, 2008

	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)	4.5	-0.6	-10.2	4.6	9.6	6.0	10.3
S&P/TSX Total Return Index**	9.1	6.0	6.8	16.2	18.2	9.0	—
Median Canadian Focused Equity Fund**	2.9	-2.2	-5.4	8.0	12.3	6.9	—

*April 1960 **Source: Globe Information Services

An investment in Tradex Equity Fund Limited increased in value by 4.5% over the second quarter while it has decreased by 10.2% in the past year.

While equity markets in most countries continued to struggle in the second quarter, the S&P/TSX Total Return Index surged an impressive 9.1%, propelled by the Energy and Materials Sectors, which were up a remarkable 23% and 18% respectively. These two sectors now comprise 53% of the S&P/TSX total weighting. As a result, the Canadian stock market is much more concentrated than other major equity markets and subject to a substantial degree of volatility based on movements in commodity prices.

In managing the Fund for the long-term benefit of investors, portfolio manager Phillips Hager and North (PH&N) is very cognizant of the “risk/reward trade-off” in positioning the portfolio. In this regard, Canadian financial stocks represent about 25% of the Fund’s total assets and continue to be viewed as the “core” holdings of the Fund. 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 has declined by 12%, thus representing a major drag on the Fund’s performance in 2008.

At the same time, foreign stocks have also under-performed. The Fund’s holdings in this area consist of very large well-known companies that are leaders in their respective industries. While PH&N has reduced the Fund’s total portfolio weighting in foreign stocks to 17% versus the normal 20-40% range, they 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.

Meanwhile, the combined weighting to the Energy and Materials Sectors has been increased to 40% of the total portfolio weighting due to the combined effects of the out-performance of these sectors and PH&N establishing new positions in Connacher Oil and Gas, Pacific Rubiales, Phoenix Coal and Yamana Gold. Other positions added to the portfolio in the second quarter were BCE, Shoppers Drug Mart and Jean Coutu.

As at June 30, 2008 the Fund’s top 12 holdings were as follows:

Royal Bank of Canada	3.6%	National Bank of Canada	2.5%
Agrium	3.5%	Johnson & Johnson (U.S.)	2.5%
EnCana	3.5%	Iteration Energy	2.3%
TD Bank	3.4%	Canadian Pacific	2.1%
Manulife Financial	3.1%	Cisco Systems (U.S.)	2.1%
Toromont	2.6%	MacDonald Dettwiler	2.1%

In summary, 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.

Tradex Bond Fund – Quarterly Review – June 30, 2008

	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)	-1.1	1.5	6.0	2.5	3.8	4.6	6.7
DEX Universe Bond Total Return Index**	-0.7	2.2	6.8	3.6	5.2	6.0	—
Median Canadian Bond Fund**	-1.0	1.3	4.7	2.0	3.5	4.3	—

*September 1989 **Source: Globe Information Services

An investment in the Tradex Bond Fund decreased in value by 1.1% during the second quarter while it has increased by 6.0% over the past year.

In April both the Bank of Canada and U.S. Federal Reserve continued to ease monetary conditions given the further weakening in the global economy and the protracted problems in credit markets in the U.S. and around the world. However, during the second half of the quarter the emphasis shifted to balancing concerns regarding economic weakness with the emerging risk of increased inflation due to the very rapid rise in energy and other commodity prices, including food. As a result, in June both central banks left their target overnight policy interest rate unchanged (at 3% in Canada and 2% in the U.S.). In balancing the risks, the Federal Reserve’s June 25 press release stated “The substantial easing in monetary policy to date, combined with ongoing measures to foster market liquidity, should help to promote moderate growth over time. Although downside risks to growth remain, they appear to have diminished somewhat, and the upside risks to inflation and inflation expectations have increased".

In this environment, yields on Government of Canada bonds, which had reached 50-60 year historical lows in mid-March, rebounded sharply during the second quarter. However, given both the degree of monetary easing since the start of the year and the weaker economy, yields remained lower than at year-end as shown in the following table:

Term to Maturity	Yield Dec. 31, 2007	Yield Mar. 31, 2008	Yield June 30, 2008
2 years	3.74%	2.62%	3.24%
3 years	3.82%	2.66%	3.37%
5 years	3.87%	2.91%	3.45%
10 years	3.99%	3.43%	3.74%
30 years	4.10%	3.94%	4.08%

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

During the quarter, the Fund's portfolio weighting to Government of Canada bonds was reduced to the lower end of its target range as credit spreads started to tighten thus making corporate bonds relatively more attractive. At quarter-end, 28% of the Fund's assets were invested in bonds issued or guaranteed by the Government of Canada, 32% in provincial/municipal government bonds and 40% in corporate bonds rated "single A" or better. The corporate portion of the portfolio continues to include a Canadian dollar denominated bond issued in Canada and guaranteed by the Government of Germany (a "maple bond" with a triple A rating) that represents approximately 9.5% of the total portfolio value.

Tradex Global Equity Fund – Quarterly Review – June 30, 2008

	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)	-0.2	-7.9	-15.5	-1.0	7.6	4.1	—
MSCI World Total Return Index ($ Cdn)**	-2.3	-7.5	-14.0	2.9	6.3	—	0.9
Median Canadian Global Equity Fund**	-2.5	-9.0	-14.4	2.0	4.9	—	0.8

*May 1999 **Source: Globe Information Services

This was once again a weak quarter for global equity markets as concerns regarding a slowdown in global economic growth intensified and as fears of inflation emerged as a result of increases in commodity prices. However, the declines in global equity markets during the second quarter were not nearly as pronounced as in the first quarter.

In the U.S., the S&P 500 Index and Dow Jones Industrial Average recorded declines in the quarter of 3.2% and 7.4%, respectively while key European equity markets recorded losses in the 1-6% range, with the U.K. FTSE 100 Index down 1.3%, the French CAC Index down 5.8% and the German DAX Index declining 1.2%. Asian markets were more mixed with Hong Kong's Hang Seng Index falling 3.3% but the Japanese Nikkei 225 Index increasing 7.6%. (All changes are in terms of local currency.)

During the quarter, portfolio manager City of London Investment Management (CLIM) decreased the Fund's portfolio weighting to the U.S. market to 28% from 47% at the end of the previous quarter. At the same time, the combined exposure to continental Europe and the U.K. was increased to 26% from less than 10%. Given the downdraft in markets since the start of the year, 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. Exposure to Japan was increased to 18%, from 10%, as the Japanese market is also viewed as representing good value in this period of uncertainty. On the other side, exposure to Hong Kong was reduced from 10% to 2% during the period.

The Fund's exposure to emerging markets was approximately 13% of the portfolio value at quarter-end. 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.

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

Tradex
mutual funds
for the public sector

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Registered Education Savings Plans (RESPs)

The 20% Government of Canada cash grant makes this the best way by far to save for your child's or grandchild's education.

The Government sponsored RESP program is extremely advantageous and we highly recommend setting up an RESP for your child's or grandchild's education. In a nutshell, here's how it works:

- The Government of Canada will provide a cash grant (Canada Education Savings Grant "CESG") of up to $500 per year (20% of the first $2,500 contributed annually) for each child up to age 18, subject to a lifetime grant limit of $7,200 per child. Thus, if you contribute $2,500 a year to a RESP, after the Government grant, the amount actually invested will be $3,000 (prior to enhancements to the program announced in the March 2007 Budget, the maximum annual government cash grant was 20% of $2,000 or $400 per year). In addition, since the grant room is cumulative, children with "unused'' grant eligible contribution room who invest before year-end could receive a cash grant in 2008 of up to a limit of $1,000.

- The lifetime RESP contribution limit is now $50,000 per child and there is no longer an annual contribution limit. A note of caution, however, is that if you make a large lump sum payment you may miss out on receiving the maximum grant amount. Therefore, we strongly recommend seeking advice on the exact details of the Plan before making a large lump sum payment.

- While RESP contributions are not tax deductible by the contributor, the income and capital gains earned on the entire investment grow tax-deferred. And when those earnings are eventually withdrawn to pay for educational expenses (including tuition, books, housing and related expenses) the money is favourably taxed at the student's typically low rate.

- There are many excellent no-load mutual fund RESP investment options available through Tradex, including funds offered by TD Bank, AGF, Ethical Funds, AIM Trimark and Mackenzie.

When you establish an RESP account through Tradex:

- There are no sales commissions, deferred sales charges or other administrative costs. Every dollar you contribute (plus the government cash grant) is invested in the RESP.

- You have an extremely wide choice of investment options. And, for purposes of diversification, you can choose to invest in more than one mutual fund. For example, 50% of the RESP account can be invested in a Canadian equity fund, 30% in a bond fund and 20% in a global equity fund.

- Contributions can be made through lump sum annual payments or through regular pre-authorized payments. It's easy to set up a monthly pre-authorized contribution plan (which you can cancel at any time at no cost). Simply choose the amount you want to contribute each month and that amount will be withdrawn from your bank account automatically each month (the 20% Government grant will also be added monthly).

For more information on setting up an RESP at Tradex please phone either Blair Cooper, Brien Marshall or Luc Bisaillon at 613-233-3394 or e-mail us at info@tradex.ca and we'll mail you a complete RESP kit, including a detailed questions and answers brochure, a prospectus, application form, and a brochure on RESPs issued by the Ontario Securities Commission.

Remember, the earlier you start, the more time your RESP contributions (and the government grant) have to generate tax-sheltered earnings.