Tradex QUARTERLY

Fourth quarter 2007

President's Report to Tradex Investors

The remarkable strength (and volatility) of the Canadian dollar continued in the fourth quarter as it spiked to a historic high closing rate of 108.52 cents U.S. in early November before settling back to finish the period at 100.88 cents U.S. For the year as a whole, the Canadian dollar increased by a very impressive 17.6% versus its U.S. counterpart. Equally noteworthy, the last time the Canadian dollar traded above 95 cents U.S.—let alone parity—was 30 years ago.

Equity markets remained unsettled during the quarter due to the widening effects of the weak U.S. housing sector and increased write-downs in the U.S. sub-prime mortgage market. During the fourth quarter the TSX Composite Index was down 1.9%, while for 2007 as a whole it was up 7.2%. The U.S. S&P 500 Index declined 3.8% during the fourth quarter while increasing 3.5% for the entire year.

Meanwhile, the turmoil in global credit markets and the outlook for slower U.S. economic growth led both the Bank of Canada and U.S. Federal Reserve to lower their key policy interest rate during the quarter. In this environment, yields on government bonds continued to decline and finished the year slightly lower than at the end of 2006.

Reducing Management Expenses

As most Tradex members know, Tradex operates on an "at cost" or "break even" basis solely for the benefit of its investors. We are unique among Canadian mutual fund organizations in this regard. In 2007, our revenue once again increased due in large part to an increase in third party funds under our administration. As a result, we were able to return a total of $225,000 in operating revenue to the three Tradex Funds, compared to $165,000 in 2006 and $145,000 in 2005. The return of this money to the Tradex Funds helps to lower their management expenses (and management expense ratio) and is therefore a direct benefit to all Tradex investors.

Tradex Annual General Meeting on April 30, 2008 at the RA Centre

The Tradex Annual General Meeting will be held at 7:00 p.m. on Wednesday, April 30 in Clark Hall at the RA Centre, 2451 Riverside Drive, Ottawa (Clark Hall is located at the west end of the RA building). As in the past, all three investment counsellors will be present to provide outlooks, and answer any questions. Formal announcement of the meeting will be mailed in late March, along with the annual report for each of the Tradex Funds. We encourage Tradex investors to bring along a friend, co-worker or family member who might be interested in becoming a Tradex member.

Tradex also distributes GICs that offer attractive yields

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 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.

Yield on Tradex Investment Savings Account now 3.80%

Effective December 5, 2007 the yield on the Tradex Investment Savings Account was reduced to 3.80% reflecting the decrease announced by the Bank of Canada in its key policy interest rate. By comparison, the issue of Canada Savings Bonds currently on sale is yielding 2.85%.

Robert White.

Robert C. White
January 11, 2008

Tradex Equity Fund Limited – Quarterly Review – December 31, 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	-5.0	-9.7	-4.5	7.6	11.0	6.6	10.4
S&P/TSX Total Return Index**	-1.3	0.7	9.8	16.9	18.3	9.5	—
Median Canadian Focused Equity Fund**	-2.8	-3.6	1.0	10.8	12.5	7.6	—

*April 1960 **Source: Globe Information Services

2007 was a difficult year for many Canadian equity funds, including Tradex Equity Fund Limited, that have historically invested a considerable portion of their portfolio in foreign stocks and in blue-chip Canadian financial stocks. The remarkable increase in the Canadian currency led to negative Canadian dollar returns on investments in foreign stocks in 2007. At the same time, turmoil in credit markets that started in the U.S. resulted in the S&P/TSX Capped Financials Index declining 3.8% for the year. In this environment, an investment in Tradex Equity Fund Limited decreased in value by 4.5% over the year. However, over the past 5 years the average annual compound return has been 11.0%.

As at December 31, 2007 the Fund's top 12 holdings were as follows:

Manulife Financial	7.8%	Thomson Corp.	3.0%
TD Bank	4.6%	EnCana	2.9%
Royal Bank of Canada	4.4%	Jazz Air Income Trust	2.9%
S&P 500 Deposit Rec. (U.S.)	4.0%	Petro Andina	2.6%
Goldcorp	3.2%	Duvernay Oil	2.5%
Telus "A"	3.2%	Power Corp.	2.5%

At year-end 25% of the Fund's portfolio value was invested in Canadian financial stocks (including its three largest holdings as shown above). While Canadian financial stocks were a drag on performance in 2007, their past performance has been strong and they form the "core" of the Fund's investment portfolio. Portfolio manager Phillips, Hager and North (PH&N) believe that the earnings of these institutions will be more resilient than during previous credit cycles and that their long-term prospects remain very positive. Indeed, toward the end of the quarter, the Fund established a new position in CIBC after its share price was driven down, based on the view that the bad news was adequately discounted in CIBC's share value, with its core earnings now attractively priced.

On the foreign side, positions in Citigroup, Royal Bank of Scotland, Wal-Mart Stores and Sprint-Nextel were eliminated during the quarter, while a new position was established in Allstate Insurance. Toward the end of the quarter, PH&N invested the funds freed up from the foreign sales in S&P 500 Deposit Receipts with the intention of redeploying these funds in specific U.S. stocks in early 2008 as opportunities arise. At year-end, 21% of the total portfolio value was invested in foreign stocks, essentially unchanged from the end of the previous quarter but down from 30% at the start of 2007.

Within the Energy sector, PH&N repositioned the Fund's holdings by selling six positions and adding two new positions. At quarter end, there were 12 energy stocks in the portfolio, representing 18% of the Fund's value (versus 22% at the end of the previous quarter). While Western Canadian energy companies face a number of significant challenges, PH&N note that energy prices have increased, valuations in this sector have improved, service costs are coming down and competition for land has abated.

A number of adjustments were also made in other sectors of the portfolio, including new positions established in uranium producer Cameco, steel producer Gerdau Ameristeel, online content producer Kaboose and metal producer Sherritt International. On the other side of the ledger positions in Loblaws, Jean Coutu, Celestica, and Mega Brands were eliminated.

Looking ahead, PH&N believe that volatility in equity markets will continue to be high in the coming months. As a result, they remain cautious in their investment strategy and focused on positioning the Fund in attractively valued, high-quality growing companies with sustainable earnings. Furthermore, they will be paying close attention to developments in the U.S. market with the aim of deploying additional funds to this market if the right opportunities arise.

Tradex Bond Fund – Quarterly Review – December 31, 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	2.5	4.4	2.6	3.5	4.2	4.9	6.8
DEX Universe Bond Total Return Index**	2.8	4.5	3.7	4.7	5.6	6.3	—
Median Canadian Bond Fund**	2.1	3.3	1.7	2.9	3.8	4.5	—

*September 1989 **Source: Globe Information Services

An investment in the Tradex Bond Fund increased in value by 2.5% during the fourth quarter and by 2.6% over the past year.

The turmoil in global bond and money markets continued during the fourth quarter as the problems related to the valuation of structured products (primarily asset backed instruments) and the anticipated losses on U.S. sub-prime mortgages worsened. This led to both a further tightening of credit conditions generally and to a further widening in interest rate spreads between government and corporate debt. In addition, the problems in credit markets and continuing weakness in the U.S. housing sector increased the risk that U.S. economic growth would slow further and that the U.S. could possibly move into a recession. In response to these developments the Bank of Canada lowered its policy interest rate by 1/4 percentage point in early December while the U.S. Federal Reserve lowered its policy rate by 1/4 percentage point on two occasions during the quarter. Despite these moves, at the end of the period the tone in financial markets remained very nervous. In this environment, yields on Government of Canada bonds fell by 30-35 basis points across the yield curve during the quarter and ended 2007 slightly lower than a year ago, as shown in the following table:

Term to Maturity	Yield Dec. 31, 2006	Yield Sept. 30, 2007	Yield Dec. 31, 2007
2 years	4.02%	4.07%	3.74%
3 years	3.99%	4.15%	3.82%
5 years	3.99%	4.20%	3.87%
10 years	4.08%	4.34%	3.99%
30 years	4.16%	4.44%	4.10%

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

Portfolio activity was light during the period. At year-end, 32% of the Fund's assets were invested in bonds issued or guaranteed by the Government of Canada, 29% in provincial government bonds and 39% in corporate bonds rated "single A" or better. Of note, included in the corporate portion of the portfolio is a Canadian dollar denominated bond issued in Canada and guaranteed by the Government of Germany (a "maple bond") that represents 9.5% of the total portfolio value.

The Fund performed very well relative to other Canadian bond funds in 2007 due to the relatively high proportion of government bonds in its investment portfolio.

Tradex Global Equity Fund – Quarterly Review – December 31, 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	-4.0	-8.2	-9.6	1.7	9.0	5.3	—
MSCI World Total Return Index ($ Cdn)**	-3.2	-7.0	-7.1	6.1	6.0	—	3.6
Median Canadian Global Equity Fund**	-3.0	-6.3	-5.3	5.5	6.0	—	3.4

*May 1999 **Source: Globe Information Services

Volatility in global equity markets continued throughout the fourth quarter as write-downs in the U.S. sub-prime mortgage market increased and concerns regarding a slowdown in global economic growth intensified.

Among U.S. markets, the Dow Jones Industrial Average and the S&P 500 Index recorded declines in the quarter of 4.5% and 3.8%, respectively, while the NASDAQ Composite Index fell 1.8%. In Europe, most equity markets recorded small losses in the quarter, with the U.K. FTSE 100 Index down 0.2%, while the French CAC Index and Swiss Market Index fell 1.8% and 3.4%, respectively. The German DAX Index stood out as an exception, rising 2.6% over the quarter. In Asia, Japan's Nikkei 225 Index under performed its developed market peers, falling 8.8% during the quarter. On the other hand Hong Kong's Hang Seng Index continued to show remarkable strength, rising 2.5%. (All changes are in terms of local currency). In this environment, an investment in the Fund declined in value by 4.0% during the fourth quarter.

For the year as a whole the remarkable strength in the Canadian dollar led to negative returns for most Canadian global equity funds in 2007, including Tradex Global Equity Fund, which was down 9.6% over the year. However, during the past 5 years the average annual compound return has been 9.0%. In 2007 the Canadian dollar gained 17.6% versus the U.S. dollar, 6.6% versus the Euro, 10.7% versus the Japanese yen and 16.5% versus the British pound. These currency gains, in general, more than offset the calendar year increase in equity markets in terms of local currencies, as follows: U.S. Dow Jones Industrial Average, up 6.4%; U.S. S&P 500 Index, up 3.5%; London FTSE 100 Index, up 3.8%; German DAX Index, up 22.3%; Paris, CAC, up 1.3%; Hong Kong Hang Seng Index, up 39.3% and Japanese Nikkei 225 Index, down 11.1%.

During the fourth quarter, portfolio manager City of London Investment Management (CLIM) increased the Fund's U.S. market exposure from 20% to 29%, as valuations improved toward the end of the quarter following the decline in prices in that market. The increased weighting to the U.S. was mainly funded by a reduction in the Fund's Japanese exposure, which was reduced from around 25% to 18%. Elsewhere in Asia, the Fund increased its exposure to Singapore from 2% to 6% through purchases of the heavily discounted Singapore Fund Inc. The combined portfolio weighting to the U.K. and continental Europe was decreased slightly from 27% to 23%. The Fund's emerging markets exposure (including exposure to precious metals) increased to approximately 15% of the portfolio, which aided performance as the MSCI Emerging Markets Index rose around 2.5% over the quarter, compared to a fall of 3.2% in the MSCI World Index. The cash position stood at 8% at year-end, which was a defensive move to reduce volatility in the portfolio. Looking ahead, CLIM plans to invest this cash opportunistically during the first weeks of 2008.

Tradex
mutual funds
for the public sector

Tradex Management Inc.
50 O'Connor Street, Suite 920
Ottawa, Ontario K1P 6L2
Tel: 613-233-3394 1 800 567-FUND
Fax: 613-233-8191
e-mail: info@tradex.ca
Web site: www.tradex.ca

Publications Mail Agreement
Number 40007757

Labour Sponsored Investment Funds (LSIFs)

LSIFs were established to promote venture capital investing in Canada with the aim of ensuring that our country continues to generate new jobs and economic expansion. They provide the average investor with the opportunity to get in on the ground floor of high potential small and medium-sized companies, including those in the information technology and life sciences sectors.

To encourage investors to put their money into qualifying LSIFs, the federal government and many provincial governments offer investors generous tax incentives. In December 2007 the Government of Ontario increased the maximum annual qualifying investment to $7,500 from $5,000. Thus, depending on the type of venture capital fund, Ontario investors will receive a 15% or 20% provincial tax credit (up to $1,125 or $1,500) on the first $7,500 invested each year. In addition, the federal government provides a tax credit of $750 on the first $5,000 invested. And these credits are over and above any RRSP deductions. So, LSIFs can also be well suited for non-registered investors, including individuals who are receiving income from a RRIF.

LSIFs, however, are not suited for everyone. First, the risks associated with venture capital investing are high. (Correspondingly, under the right conditions, the rewards can also be high.) Also, they are designed only for investors with a long-term horizon, including the fact that if one does not hold the LSIF for 8 years, the tax credit must be refunded.

The table below shows the total 2007 tax savings for Ontario residents assuming a $5,000 LSIF investment is placed in a RRSP:

Taxable Income	RRSP Investment	LSIF RRSP Tax Savings	LSIF Ontario Tax Credit*	Total Federal Tax Credit*	Net Tax Savings*	Out of Pocket Cost of Investment
$35,489 - $37,178	$5,000	$1,233	$750	$750	$2,733	$2,267
$37,179 - $62,487	$5,000	$1,558	$750	$750	$3,058	$1,942
$62,488 - $70,976	$5,000	$1,649	$750	$750	$3,149	$1,851
$70,977 - $73,622	$5,000	$1,770	$750	$750	$3,270	$1,730
$73,623 - $74,357	$5,000	$1,970	$750	$750	$3,470	$1,530
$74,358 - $120,887	$5,000	$2,170	$750	$750	$3,670	$1,330
$120,888 and over	$5,000	$2,320	$750	$750	$3,820	$1,180

*Source: GrowthWorks. * Based on 15% federal and 15% provincial tax credits. The Ontario tax credit now applies on investments of up to $7,500. Also, in some cases, the Ontario tax credit is 20%.*

Tradex distributes several LSIFs, with particular emphasis on the following:

GrowthWorks — the second largest independent manager of LSIFs in Canada with over $800 million in assets under administration. In 2005, Ottawa based Capital Alliance Ventures Inc. merged with GrowthWorks Canadian Fund. For more information, visit their website at www.growthworks.ca.

VenGrowth — since 1982 VenGrowth has invested over $1.3 billion in over 180 companies. It offers three LSIFs including an Advanced Life Sciences Fund. You can learn more about VenGrowth at www.vengrowth.ca.

B.E.S.T. Discoveries Fund — a very strong track record with investments in a number of Ottawa based companies. Also, it has recently become an associate member of the national association for the Socially Responsible Investment Industry. For more information, visit their website at www.bestfunds.ca.

VentureLink— offers 4 different LSIFs. Their funds give investors access to well-diversified portfolios of established companies operating in traditional industries as well as dynamic industries like alternative energy. Visit their website at www.venturelinkfunds.com.

Dynamic Venture Opportunities Fund — as part of the very successful Dynamic mutual funds group, this Fund is able to draw upon the skills and expertise of some of Canada's top-performing portfolio managers. Learn more by visiting their website at www.dynamic.ca.

****

For more information on investing in LSIFs through Tradex, please give Blair or Brien a call at (613) 233-3394 or 1-800-567-3863. Remember, like RRSPs, the deadline for investing to receive 2007 tax credits is February 29, 2008.