

2011

**Interim Management Report of Fund Performance
and
Interim Financial Statements**

Tradex BOND Fund

June 30, 2011

You may get a copy of the Fund's Simplified Prospectus, Annual Information Form, Fund Facts, proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure at your request, and at no cost, by calling Tradex Management Inc. toll-free at **1-800-567-3863**, e-mailing us at **info@tradex.ca** or by writing or visiting us at the address shown below.

These documents and other information about the Fund are also available through our website at **www.tradex.ca** or through the SEDAR website at **www.sedar.com**.

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

for the six months ending June 30, 2011

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

An investment in Tradex Bond Fund increased in value by 1.5% during the first half of 2011 while it has increased by 3.5% over the past year.

During the period the Bank of Canada continued to maintain its overnight policy interest rate target at 1.00 per cent and the U.S. Federal Reserve maintained its overnight target range at 0 to 1/4 per cent. Yields on Government of Canada bonds rose during the first quarter as the trend of improving economic data continued throughout most of the quarter. In the second quarter, however, renewed fears that the pace of global economic growth was stalling led to a reversal of the increase and yields closed the first half of the year little changed as seen in the following table:

Term to Maturity	Yield Dec. 31, 2010	Yield Mar. 31, 2011	Yield June 30, 2011
2 years	1.67%	1.82%	1.59%
3 years	1.87%	2.18%	1.89%
5 years	2.41%	2.77%	2.33%
10 years	3.11%	3.35%	3.11%
30 years	3.52%	3.75%	3.55%

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

During the first quarter there was very little change in the portfolio weighting from year-end, with Government of Canada bonds representing 33% of the portfolio value, provincial issues representing 34% and corporate issues making up the final 32%.

The key news for Tradex Bond Fund investors during the period relates to the appointment of Foyston, Gordon & Payne (FGP) as the Fund's portfolio manager effective March 1, 2011 and to the realignment of the Fund's investment portfolio following the April 27th Special Meeting at which unitholders approved allocating a portion of the Fund's assets into equities with the aim to combat today's extremely low interest rate environment and provide enhanced capital protection in the event of a rising interest rate environment.

Within a few days following the special meeting, (FGP) had completed the major adjustments to the portfolio, with minor further changes being made during May and June. As at June 30, 2011 the overall portfolio allocation was as follows:

Government of Canada bonds	26.5%
Provincial/municipal bonds	6.3%
Corporate bonds	38.5%
Canadian equities, REITs & Income Trusts	18.3%
Canadian preferred shares	10.0%
Cash	0.4%
Total	100.0%

For purposes of diversification, the portfolio mix at the end of the period included 18 individual issues of corporate bonds, 15

preferred shares issues and equity shares of 27 firms (consisting of common shares, REITs and Income Trusts). The duration (a measure of portfolio term to maturity and sensitivity to interest rate changes) of the fixed income portion of the Fund has been maintained at 0.5 years longer than the DEX Bond Universe Index given that FGP expects inflation to remain subdued after near term food and energy price increases have subsided.

Quarterly distributions of 8.3 cents per unit were made at the end of March and June. As at June 30, 2011, the net asset value of the Fund stood at \$11.5 million compared to \$10.3 million at the end of 2010. Over this period, the number of units outstanding increased by 11.7%.

Management Fees

As the Manager, Tradex Management Inc. is responsible for directing the business, operations and affairs of the Fund. It performs this duty for an annual fee of 0.6% of the Fund's net asset value, calculated and accruing daily. This amounted to \$34,457 in the first half of 2011 (including HST) and represents slightly less than 40% of the total expenses paid by the Fund. Many of the functions involved in operating the Fund are contracted out to leading professional firms in the mutual fund industry in Canada. Therefore, one of the key duties of the Manager is to negotiate and manage these contracts. Tradex Management Inc. is also the principal distributor of the Fund and, as such, is responsible for most of the communications with the Fund's unitholders and potential unitholders. Tradex Management Inc. receives no additional fees or commissions for being the Fund's principal distributor and pays a trailer fee of 0.3% from its management fee to other mutual fund dealers who distribute the Fund.

Since Tradex Management Inc. operates on an "at cost" basis for the benefit of its investors, when financial conditions permit, it voluntarily rebates and/or waives a portion of the management fees paid to it by the Fund. These rebates/waivers reduce the expenses for the Fund, which in turn reduce its management expense ratio. In the second half of 2010, \$49,155 in expenses were reduced for the Fund through such transactions. It is anticipated that a rebate will be made in the second half of 2011 although it is not possible to estimate the amount at this time.

Other Expenses

The other expenses incurred by the Fund in the first six months of 2011 amounted to \$52,715 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to TD Asset Management Inc. and Foyston, Gordon & Payne Inc.), administrative fees paid for fund accounting, the registrar function and other related activities (paid to CIBC Mellon Global Securities Services Company, FundSERV Inc., and various other suppliers), audit fees (payable to PricewaterhouseCoopers LLP), custodian fees (paid to CIBC Mellon Trust Company) and registration fees and expenses paid to the 13 securities regulatory authorities in Canada. A listing of the various expenses paid by the Fund appears in the Statement of Operations.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

II. FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five and one-half years.

The Fund's Net Assets per Unit (1)

For the six month period ending June 30, 2011 and the five annual periods ending December 31, 2010, 2009, 2008, 2007, 2006.

	2011	2010	2009	2008	2007	2006
Net assets per unit, beginning of period	\$ 10.43	\$ 10.22	\$ 10.17	\$ 9.99	\$ 10.15	\$ 10.31
Increase (decrease) from operations:						
Total revenue	\$ 0.25	\$ 0.48	\$ 0.48	\$ 0.47	\$ 0.52	\$ 0.55
Total expenses	\$ (0.09)	\$ (0.15)	\$ (0.16)	\$ (0.12)	\$ (0.11)	\$ (0.12)
Realized gains (losses) for the period	\$ 0.17	\$ 0.10	\$ 0.04	\$ 0.04	\$ (0.14)	\$ (0.04)
Unrealized gains (losses) for the period	\$ (0.18)	\$ 0.11	\$ 0.02	\$ 0.14	\$ (0.02)	\$ (0.12)
Total increase from operations (2)	\$ 0.15	\$ 0.54	\$ 0.38	\$ 0.53	\$ 0.25	\$ 0.27
Distributions:						
From investment income	\$ 0.13	\$ 0.35	\$ 0.33	\$ 0.36	\$ 0.42	\$ 0.43
From dividends	\$ 0.03	—	—	—	—	—
Total Distributions (3)	\$ 0.16	\$ 0.35	\$ 0.33	\$ 0.36	\$ 0.42	\$ 0.43
Net assets per unit, end of period	\$ 10.42	\$ 10.43	\$ 10.22	\$ 10.17	\$ 9.99	\$ 10.15

(1) The information for 2006-2010 is derived from the Fund's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period.

(3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data	2011	2010	2009	2008	2007	2006
Total net asset value, end of period (000's)	\$ 11,480	\$ 10,283	\$ 9,805	\$ 9,492	\$ 9,880	\$ 10,416
Weighted average net asset value (000's)	\$ 10,531	\$ 10,018	\$ 9,797	\$ 9,595	\$ 9,922	\$ 10,541
Number of units outstanding, end of period (000's)	1,101	986	959	934	989	1,026
Management expense ratio (1)	1.67%	1.41%	1.47%	1.18%	1.07%	1.22%
Management expense ratio before waivers or absorptions (1)	1.67%	1.91%	1.69%	1.60%	1.57%	1.64%
Trading Expense Ratio (2)	0.07%	—	—	—	—	—
Portfolio turnover rate (3)	123.35%	53.33%	32.94%	53.19%	84.36%	42.32%
Net asset value per unit, end of period (4)	\$ 10.42	\$ 10.43	\$ 10.22	\$ 10.17	\$ 9.99	\$ 10.15

(1) Management expense ratio is based on total expenses for the period and is expressed as an annualized percentage of daily average net asset value during the period. Any expense waivers or absorptions are made in the second half of the year.

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and performance of a fund.

(4) See Notes 2 and 8 to the Financial Statements for a reconciliation of "net assets per unit" and "net asset value per unit."

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

III. PAST PERFORMANCE

General

The Fund's past performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of income the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional units. The performance information does not take into account any sales, redemption or other optional charges that, if applicable, would reduce the returns or performance. Please remember, the Fund's performance in the past does not indicate how it will perform in the future.

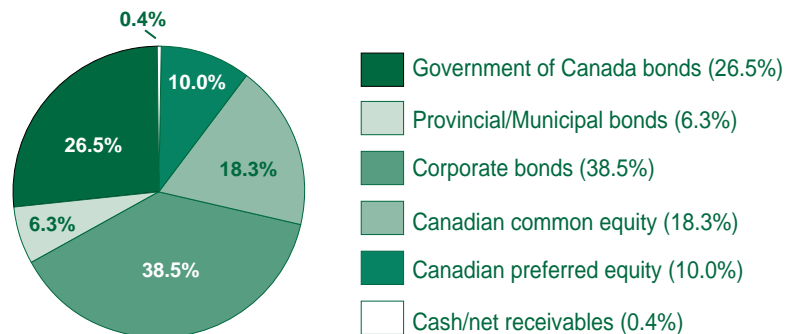
Year-by-year Returns

This chart shows the Fund's annual performance for each of the past ten years ending December 31, 2010 plus the performance for the six-month period ending June 30, 2011. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period and how the performance has varied from period to period.



IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at June 30, 2011 broken down by the category of issuer is indicated in the pie chart on the right.



The following investments represent the 25 largest holdings of the Fund as of June 30, 2011 shown as a percentage of the Fund's net asset value. The list is of interest only as of the date indicated, as the percentages may have changed, and some or all of the holdings may have been sold and new positions purchased. A quarterly update is available as discussed on the cover page of this document.

Canada Housing Trust, 3.80%, June 15, 2021	8.7%	Consumers Waterheater Operating Trust, 6.75%, April 30, 2014	2.1%
Canada Housing Trust, 4.55%, December 15, 2012	6.8%	BMO Capital Trust, 4.63%, December 31, 2015	2.0%
NHA MBS Toronto Dominion Bank, 6.75%, February 1, 2025	3.6%	Ontario Infrastructure Projects Corp., 4.70%, June 1, 2037	2.0%
NHA MBS Toronto Dominion Bank, 2.75%, January 1, 2016	3.6%	Manulife Financial Corp., 5.16%, June 26, 2015	1.8%
AGT Ltd., 8.80%, September 22, 2025	2.9%	Alberta Capital Finance Authority, 4.65%, June 15, 2017	1.8%
Canadian Tire Corp., 6.32%, February 24, 2034	2.7%	Schooner Trust, 4.72%, April 12, 2015	1.6%
Teranet Holdings, 4.81%, December 16, 2020	2.6%	Bell Canada, 4.85%, June 30, 2014	1.6%
Plenary Properties, 6.29%, January 31, 2044	2.6%	Manitoba Telecom Services Inc., 6.15%, June 10, 2014	1.6%
Cogeco Cable Inc., 5.15%, November 16, 2020	2.5%	Strait Crossing Development Inc., 6.17%, September 15, 2031	1.6%
RBC Capital Trust, 6.82%, June 30, 2018	2.5%	Schooner Trust, 4.72%, February 12, 2017	1.6%
Great West Lifeco., 6.74%, November 24, 2031	2.5%	ScotiaBank Capital Trust, 6.28%, June 30, 2013	1.5%
Intact Financial Corp., 5.41%, September 3, 2019	2.5%	Sub-total - largest 25 holdings	67.1%
Farm Credit Canada, 4.60%, June 1, 2021	2.3%	Remaining holdings	32.9%
Toronto Dominion Bank, 5.76%, December 18, 2017	2.1%	Total Net Asset Value	100.0%



INTERIM FINANCIAL STATEMENTS for the six months ending June 30, 2011

THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.

Tradex Management Inc., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2011.

STATEMENTS OF NET ASSETS June 30, 2011 (Unaudited) and December 31, 2010

	2011	2010
Assets		
Investments, at fair value *	\$ 11,436,600	\$ 10,177,855
Cash and short-term investments	152,330	228,667
Dividends receivable	23,252	—
Accrued interest	45,915	72,650
Receivable for investments sold	1,853	345
Subscriptions receivable	40,000	5,127
	11,699,950	10,484,644
Liabilities		
Accounts payable and accrued liabilities	28,287	46,687
Payable for investments purchased	108,053	150,654
Redemptions payable	1,000	3,928
Distributions payable to unitholders	91,919	—
	229,259	201,269
Net assets, representing unitholders' equity	\$ 11,470,691	\$ 10,283,375
Units issued and outstanding, end of year (Note 7)	\$ 1,101,215	\$ 985,517
Net assets per unit	\$ 10.42	\$ 10.43
* Investments at cost	\$ 11,305,161	\$ 9,857,905

The accompanying notes are an integral part of these financial statements.

Approved by the Board
of Directors of
Tradex Management Inc.,
Trustee for Tradex Bond Fund

Andrew Campbell
Director

Karin Zabel
Director

STATEMENTS OF OPERATIONS *(Unaudited)*

	Six months ending June 30	
	2011	2010
Investment Income		
Revenue		
Dividends	\$ 35,705	\$ —
Interest	218,055	231,819
	253,760	231,819
Expenses <i>(Note 6)</i>		
Management fees	34,457	30,988
Investment advisory fees	13,099	12,397
Administration costs	19,957	22,316
Independent review committee	—	—
Audit fees	9,494	6,447
Custodian fees	2,770	1,984
Registration fees and expenses	7,395	7,439
Expense reductions <i>(Note 6)</i>	—	—
	87,172	81,571
Net investment income	166,588	150,248
Realized and unrealized gain (loss) on sale of investments		
Net realized gain on sale of investments	179,994	20,316
Change in unrealized appreciation (depreciation) on investments	(188,511)	167,118
Transaction costs	(3,654)	—
Net gain (loss) on investments	(12,171)	187,434
Increase in net assets from operations	\$ 154,417	\$ 337,682
Increase per unit in net assets from operations	\$ 0.15	\$ 0.35

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS *(Unaudited)*

	Six months ending June 30	
	2011	2010
Net assets, beginning of period	\$ 10,283,375	\$ 9,805,296
Add (deduct)		
Operations		
Net increase in net assets from operations	154,417	337,682
Distributions		
Distributions to unitholders from investment income	(174,300)	(162,741)
	(19,883)	174,941
Units		
Proceeds from issue of units	1,755,531	304,426
Reinvestment of distributions	82,260	162,436
Consideration paid for redemptions of units	(630,592)	(394,200)
	1,207,199	72,662
Net assets, end of period	\$ 11,470,691	\$ 10,052,899

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2011

Bonds	Par value	Average cost	Fair value	% of total Fairvalue
Federal				
Canada Housing Trust No. 1, 3.80%, June 15, 2021	987,000	\$ 995,591	\$ 1,009,662	
Canada Housing Trust No. 1, 4.55%, December 15, 2012	760,000	795,031	793,098	
NHA MBS Toronto-Dominion Bank (The), 6.75%, February 1, 2025	338,441	411,164	419,833	
NHA MBS Toronto-Dominion Bank (The), 2.75%, January 1, 2016	417,345	415,577	418,380	
Farm Credit Canada, 4.60%, June 1, 2021	242,000	241,980	264,070	
Government of Canada, 4.00%, June 1, 2041	137,000	151,432	148,389	
		3,010,775	3,053,432	26.7
Provincial / Municipal				
Alberta Capital Finance Authority, 4.65%, June 15, 2017	192,000	191,656	210,415	
Lakehead University, Series 'A', 5.30%, November 15, 2045	149,634	137,664	141,941	
Ontario Infrastructure Projects Corp., Series '2007-A1', 4.70%, June 1, 2037	232,000	227,627	229,283	
Ontario School Boards Financing Corp., 6.25%, October 19, 2016	115,000	132,768	131,719	
		689,715	713,358	6.2
Corporate				
AGT Ltd., 8.80%, September 22, 2025	250,000	330,824	338,105	
Bell Canada, Callable, 4.85%, June 30, 2014	175,000	184,711	185,246	
BMO Capital Trust, Series 'E', Variable Rate, Callable, 4.63%, December 31, 2015	220,000	229,460	230,883	
Canadian Tire Corp. Ltd., Callable, 6.32%, February 24, 2034	310,000	314,125	318,475	
Cogeco Cable Inc., Callable, 5.15%, November 16, 2020	300,000	293,775	295,131	
Consumers' Waterheater Operating Trust (The), Callable, 6.75%, April 30, 2014	225,000	233,852	239,962	
Great-West Lifeco Inc., Callable, 6.74%, November 24, 2031	250,000	291,228	290,465	
Intact Financial Corp., Callable, 5.41%, September 3, 2019	270,000	286,558	284,834	
Schooner Trust, Class 'A2', Series '2005-3', 4.72%, April 12, 2015	180,000	188,100	189,178	
Schooner Trust, Class 'A-2', Series '2007-7', 4.72%, February 12, 2017	168,000	174,166	176,363	
Manitoba Telecom Services Inc., 6.15%, June 10, 2014	170,000	183,039	182,486	
Manulife Financial Corp., Callable, 5.16%, June 26, 2015	200,000	209,559	212,174	
Plenary Properties LTAP L.P., Callable, 6.29%, January 31, 2044	275,000	295,625	298,581	
RBC Capital Trust, Series '2018', Variable Rate, Callable, 6.82%, June 30, 2018	255,000	294,380	294,074	
Scotiabank Capital Trust, 6.28%, June 30, 2013	157,000	166,124	168,370	
Strait Crossing Development Inc., 6.17%, September 15, 2031	175,573	172,500	182,220	
Teranet Holdings L.P., Callable, 4.81%, December 16, 2020	300,000	296,880	300,624	
Toronto-Dominion Bank (The), Variable Rate, Callable, 5.76%, December 18, 2017	220,000	239,470	241,344	
		4,384,376	4,428,515	38.7
Total bonds		8,084,866	8,195,305	71.7
Equities				
Energy				
Inter Pipeline Fund, Class 'A'	7,690	119,668	121,810	
Bonavista Energy Corp.	3,090	86,807	88,281	
AltaGas Ltd.	3,280	83,175	84,394	
Power Corp. of Canada, 5.80%, Preferred, Series 'C', Callable	2,770	69,214	69,195	
Westcoast Energy Inc., 5.50%, Preferred, Series '7', Callable	2,660	64,220	64,505	
		423,084	428,185	3.7
Industrials				
Vicwest Inc.	5,880	92,409	75,852	
Morneau Shepell Inc.	7,280	74,902	73,091	
Exchange Income Corp.	2,990	66,204	64,046	
Cervus Equipment Corp.	3,780	66,987	63,164	
		300,502	276,153	2.4
Consumer Discretionary				
Shaw Communications Inc.	2,930	58,501	64,401	
		58,501	64,401	0.6
Consumer Staples				
George Weston Ltd., 4.75%, Preferred, Series 'V', Perpetual, Callable	7,250	156,053	158,775	
North West Co. Inc. (The)	4,440	88,024	89,777	
Premium Brands Holdings Corp.	4,680	77,189	76,050	
Rogers Sugar Inc.	12,120	64,915	64,842	
		386,181	389,444	3.4
Financials				
Sun Life Financial Inc., 4.75%, Preferred, Series '1'	3,920	87,216	91,022	
Northern Property REIT	2,910	84,855	88,668	
Killam Properties Inc.	7,830	84,657	83,859	
Sun Life Financial Inc.	2,860	85,767	82,854	
E-L Financial Corp. Ltd., 4.75%, Preferred, Series '2', Perpetual, Convertible, Callable	3,940	81,250	82,740	
Bank of Nova Scotia, 4.50%, Preferred, Series '14', Callable	3,320	79,447	81,772	
Canadian Imperial Bank of Commerce, 4.70%, Preferred, Class A, Series '31', Callable	3,320	79,865	81,672	
Royal Bank of Canada, Preferred, Series 'W'	3,270	80,991	80,671	

STATEMENT OF INVESTMENT PORTFOLIO *(Unaudited) June 30, 2011*

Equities - Financials (continued)	Par value	Average cost	Fair value	% of total Fairvalue
Power Financial Corp., 4.95%, Preferred, Series 'K', Callable	3,150	\$ 73,256	\$ 74,182	
Toronto-Dominion Bank (The), 5.60%, Preferred, Class 'A', Series 'R', Perpetual, Callable	2,790	72,574	73,656	
Manulife Financial Corp., Preferred, Series '3', Callable	3,120	65,856	68,952	
NorthWest Healthcare Properties REIT	5,610	67,108	67,152	
Bank of Montreal	990	61,436	60,667	
Great-West Lifeco Inc.	2,300	61,523	58,512	
First National Financial Corp.	3,420	62,456	57,114	
Co-Operators General Insurance Co., 5.00%, Preferred, Class 'E', Series 'C', Perpetual	2,270	50,338	50,553	
Fairfax Financial Holdings Ltd., Preferred, Series 'C', Convertible, Variable Rate	1,870	48,095	47,685	
Brookfield Asset Management Inc., Preferred, Class 'A', Series '4'	2,410	46,518	45,910	
		1,273,208	1,277,641	11.2
Telecommunication Services				
Bell Aliant Inc.	4,390	118,461	125,993	
BCE Inc., Preferred, Series 'T'	2,970	69,308	70,834	
Manitoba Telecom Services Inc.	1,930	58,246	62,957	
TELUS Corp.	1,180	59,158	62,623	
BCE Inc.	1,650	58,424	62,386	
		363,597	384,793	3.4
Health Care				
Futuremed Healthcare Products Corp.	8,180	57,172	66,258	
CML Healthcare Inc.	4,500	46,017	41,985	
		103,189	108,243	0.9
Utilities				
Atlantic Power Corp.	7,930	114,392	115,857	
Capital Power Income L.P.	6,010	117,813	114,190	
Northland Power Inc.	5,130	82,751	82,388	
		314,956	312,435	2.7
Total Equities		3,223,218	3,241,295	28.3
Transaction costs		(2,923)		
Total portfolio of investments		\$ 11,305,161	\$ 11,436,600	100.0

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS *June 30, 2011*

1. Background

Tradex Bond Fund ("the Fund") is an unincorporated trust formed under the laws of the Province of Ontario. Tradex Management Inc. is the Manager and the Trustee of Tradex Bond Fund.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Investments

Investments are categorized as held for trading in accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Investments of the Fund are valued at the closing bid price ("fair value") by independent securities pricing services. The value of any investment to which the foregoing principle cannot be applied shall be the fair value thereof determined in such a manner as the Manager from time to time provides.

The net asset value calculated in accordance with Section 3855 is referred to as "Net Assets" for purposes of these statements. A comparison between the Fund's net assets per unit for financial reporting ("GAAP Net Assets") and the Fund's net asset value per unit for purposes other than financial reporting (transactional "Net Asset Value") appears in Note 8.

The difference between the fair value of investments and the cost of the investments is included in the change in unrealized appreciation (depreciation) on investments in the Statement of Operations.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from these estimates and the differences may be material.

Investment transactions, investment income, expenses and distributions

Investment transactions are recorded on the trade date. Realized gains or losses on security transactions are determined on an average cost basis. Interest income and estimated expenses are accrued daily. Dividend income and distributions to unitholders are recorded on the ex-dividend date. Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are recognized in the Statement of Operations.

Net assets per unit

“Net assets per unit” is based on the total net assets outstanding as at the end of period divided by the number of units outstanding as at that date. The “increase (decrease) per unit in net assets from operations” is based on the increase (decrease) in net assets from operations for the period divided by the weighted average number of units outstanding over the period.

3. Classification of Financial Instruments

In accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, “Financial Instruments—Disclosures”, the Fund classifies its financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The classification of the Fund’s financial instruments within the fair value hierarchy as at June 30, 2011 is as follows:

Level 1 Assets – \$3,241,295 in equities that trade in an active market on a recognized stock exchange and \$152,330 in cash and short-term investments (nil and \$228,667, respectively on Dec. 31, 2010).

Level 2 Assets – \$8,195,305 consisting of bond issues that trade in the Canadian bond market (\$10,177,855 on Dec. 31, 2010).

There were no transfers between levels during the period ended June 30, 2011.

4. Management of financial risk

In the normal course of business, the Fund is exposed to a variety of financial risks. The value of investments within the Fund’s portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, and market and company news related to specific securities within the Fund.

Tradex Bond Fund’s investment objective is to achieve a combination of income and long-term capital preservation by investing primarily in a diversified portfolio of investment grade Canadian bonds. In addition, up to 30% of the portfolio may be invested in income producing equity securities, such as common shares of Canadian companies that pay dividends, real estate investment trusts, preferred shares and income trusts. The average term to maturity of the bond portfolio must be greater than three years. No part of the portfolio is invested in foreign bonds (i.e., bonds issued in a jurisdiction other than Canada) or in derivatives. To avoid risks related to variations in the value of the Canadian dollar, only investments denominated in Canadian currency are in the portfolio.

The Fund’s risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund’s performance by contracting and overseeing professional and experienced portfolio advisors that regularly monitor the Fund’s positions, market events and diversify the investment portfolio within the constraints of the investment guidelines.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund did not have exposure to currency risk as it invested only in Canadian securities.

(b) Credit risk

As at June 30, 2011 approximately 72% of the Fund’s investment portfolio was invested in debt securities. Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. As at June 30, 2011 and December 31, 2010 the Fund’s credit risk exposure grouped by credit ratings is listed in the following table (for a listing by the type of issuer see the Statement of Investment Portfolio):

Credit Rating	As a percentage of investments in debt securities	
	2011	2010
AAA	42%	67%
AA	4%	12%
A	29%	18%
BBB	25%	3%

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when a fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at June 30, 2011 and December 31, 2010, the Fund’s exposure to debt instruments by maturity was as follows (\$000):

Maturity Date	June 30, 2011	Dec. 31, 2010
Less than 3 years	1,569	2,715
3-5 years	1,051	757
Greater than 5 years	5,575	6,705

As at June 30, 2011, if the prevailing interest rates had been raised or lowered by 0.25%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$156,000 (approximately \$162,000 on Dec. 31, 2010). The Fund’s interest rate sensitivity was based, portfolio weighted, on duration. In

practice, actual results may differ from this sensitivity analysis and the difference could be material.

(d) Liquidity risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are issued and redeemed on demand at the then current net asset value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority (if not all) of the Fund's assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

(e) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk, credit risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. The Fund's significant market risk exposures have been discussed in previous sections.

As at June 30, 2011, approximately 28% of the Fund's net assets were traded on a recognized stock exchange (nil on December 31, 2010). If equity prices on stock exchanges had increased or decreased by 10% as at June 30, 2011, with all other factors remaining constant, net assets could possibly have increased or decreased by approximately \$324,000, respectively (nil as at December 31, 2010). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

5. Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and distributes all of its net taxable income with the intent to not be subject to income tax.

As at December 31, 2010, the Fund had no non-capital losses and \$955,000 in capital losses carried forward for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains.

Goods and services tax (GST) or harmonized sales tax (HST), as applicable, are included in the relevant expense items charged to the Fund. Effective July 1, 2010 GST was replaced by HST in certain provinces and is imposed at higher rates than the GST. This has resulted in an overall increase in expenses incurred by the Fund since the effective date of implementation.

6. Management expenses

The Fund retains investment advisory, custodial, professional, management and administrative services. The fees are charged directly to the Fund, as are registration fees and expenses. Tradex Management Inc. performs the management services for an annual fee of 0.6% of the Fund's net asset value calculated and accruing daily.

Tradex Management Inc. may from time to time voluntarily waive a portion of its management fees and/or absorb all or a portion of the other expenses of the Fund and/or rebate to the Fund a portion of the fees paid to it by the Fund. This reduces the expenses for the Fund, which in turn reduces its management expense ratio. In the second half of 2010, \$49,155 in expenses were reduced for the Fund through such transactions.

7. Units capitalization

The capital of the Fund is represented by issued redeemable units that have no par value. They are entitled to distributions, if any, and to payment of a proportionate amount based on the Fund's net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. In accordance with the investment objectives and strategies, and risk management practices outlined in Note 4, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings where necessary. The changes in the number of units during the last two years ending June 30 were as follows:

	2011	2010
Outstanding, beginning of year	985,517	959,254
Issued	176,542	45,286
Redeemed	(60,844)	(39,391)
Outstanding, end of year	1,101,215	966,149

8. Comparison of "Net Asset Value per Unit" to "Net Assets per Unit"

The reason for the potential difference between "Net Asset Value per Unit" and "Net Assets per Unit" relates to the different methods of valuating the Fund's equity investment portfolio. "Net Asset Value per Unit" is based on valuating the Fund's equity investments at their last traded price for the day on the relevant stock exchange. "Net Assets per Unit" is based on valuing the Fund's equity investments at their closing bid price for the day as supplied by independent securities pricing services. (For a further explanation see Note 2.)

Asset values as at June 30, 2011 and December 31, 2010 were as follows:

	June 30, 2011	Dec. 31, 2010
Net Asset Value Per Unit (\$)	10.42	10.43
Section 3855 Adjustment (\$)	—	—
Net Assets Per Unit (\$)	10.42	10.43

9. Future accounting change

Effective January 1, 2013 the Fund plans to adopt International Financial Reporting Standards (IFRS) for purposes of financial reporting. The Manager does not expect that net assets per unit will be impacted from the changeover to IFRS.

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