

2010

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

Tradex BOND Fund

December 31, 2010

You may get a copy of the Fund's Simplified Prospectus, Annual Information Form, 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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TRADEX BOND FUND STATEMENT OF MANAGEMENT'S RESPONSIBILITY

To our unitholders,

The accompanying Management Report of Fund Performance and Financial Statements have been prepared by Tradex Management Inc., the Manager and Trustee of **Tradex Bond Fund** and approved by the Manager's Board of Directors. The Fund's Manager is responsible for the information and representations contained in the Management Report of Fund Performance and Financial Statements. The Management Report of Fund Performance in the front section of this document is unaudited, whereas the Financial Statements appearing in the second section are audited.

Tradex Management Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies that management believes are appropriate for the Fund are described in Note 2 to the Financial Statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the Manager-Trustee of the Fund. They have audited the Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements.

Blair Cooper
President and Chief Executive Officer
Tradex Management Inc.

A.F. Campbell
Treasurer and Chief Financial Officer
Tradex Management Inc.

March 17, 2011



ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the year ended December 31, 2010

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment objectives and strategies

The Fund's objective in 2010 was to achieve a combination of interest income and long-term capital preservation by investing in a diversified portfolio of Government of Canada, provincial government, municipal government and investment grade corporate bonds. The average term to maturity of the portfolio must be greater than three years.

The overall strategy was to construct the portfolio using computerized optimization techniques to enhance returns and control risk. Risk was controlled through investment in Government of Canada, provincial government and municipal government bonds, which represented 50% or more of the total value of the investment portfolio at all times. Corporate bonds with a credit rating of BBB or better could represent up to 50% of the total value of the investment portfolio.

Please note – In late April 2011 it is anticipated that the Fund's investment objectives will be revised to allow a portion of the portfolio to be invested in Canadian equity securities. For more information please see "Recent Developments" on the next page.

No part of the portfolio may be invested in foreign investments (i.e., investments issued in a jurisdiction other than Canada) or in derivatives.

Risk

In 2010 there were no significant changes to the investment objectives and strategies that affected the Fund's overall risk level during the reporting period. The risks of investing in the Fund remained as discussed in the Fund's most recent Simplified Prospectus.

As noted above, however, it is anticipated that a portion of the Fund will be invested in Canadian equity securities beginning in late April 2011. In this event, the level of risk will increase to include risks associated with equity investments.

Results of Operations

An investment in the Tradex Bond Fund increased in value by 5.5% in 2010.

Bond yields remained extraordinarily low during 2010 primarily as a result of benign inflation, the ongoing uncertainty regarding the pace of the recovery from the worldwide recession and the risk that sovereign debt concerns in several countries could trigger renewed strains in global financial markets. While interest rates rose during the fourth quarter as the global economic recovery gained momentum, yields on most maturities of Government of Canada bonds nevertheless declined for the year as a whole, as seen in the following table:

Term to Maturity	Yield Dec. 31, 2009	Yield March 31, 2010	Yield June 30, 2010	Yield Sept. 30, 2010	Yield Dec. 31, 2010
2 years	1.47%	1.73%	1.39%	1.36%	1.67%
3 years	1.92%	2.03%	1.75%	1.56%	1.87%
5 years	2.77%	2.90%	2.32%	2.01%	2.41%
10 years	3.61%	3.56%	3.08%	2.75%	3.11%
30 years	4.08%	4.07%	3.65%	3.35%	3.52%

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

As always, the actions of central banks played an important role in the dynamics of the market. During the first quarter the Bank of Canada continued to maintain its overnight policy interest rate target at an historically low 25 basis points. However, given the strong performance of the Canadian economy during the first few months of the year, the Bank raised its target for the overnight policy interest rate by one-quarter of one percentage point on June 1. Furthermore, it raised its target rate by a further one-quarter of one percentage point at each of its two policy meetings during the third quarter bringing the rate to 1.00 per cent, before holding it at that level for the remainder of the year. As a result, yields on treasury bills and other short term instruments rose by approximately the same amount, which led to a substantial flattening of the yield curve.

Meanwhile, the slow pace of the recovery in the U.S. economy, including the continued high unemployment rate, led the U.S. Federal Reserve to maintain its overnight target rate range at 0 to 1/4 per cent throughout the entire year. Furthermore, at year-end the Federal Reserve was continuing to reiterate its view that economic conditions in the U.S. were likely to warrant exceptionally low policy rate levels for an extended period.

During the year the portfolio allocation to Government of Canada bonds increased from 32% to 37% while the weighting to corporate bonds was decreased by a corresponding amount. This was done to take advantage of the narrowing in credit spreads (the interest rate difference between government bonds and corporate bonds). The portfolio weighting by sector throughout the year may be seen below. By comparison, the sector weighting in the Fund's benchmark, the DEX Universe Bond Index, at year-end was 46% Government of Canada bonds, 27% provincial/municipal bonds and 27% corporate issues.

	Dec. 31, 2009	June 30, 2010	Dec. 31, 2010
Government of Canada	32%	33%	37%
Provincial/Municipal Governments	27%	28%	27%
Corporations	41%	39%	36%
Total	100%	100%	100%

Quarterly distributions totaled 34.3 cents per unit during 2010. At year-end the portfolio consisted of 45 individual bond issues, including 27 corporate issues. The relatively large number of

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

issues in the corporate portion of the portfolio further controls risk. The modified duration of the portfolio (a measure of portfolio term to maturity and sensitivity to interest rate changes) at the end of the period was 6.3 years compared to 6.4 years for the DEX Universe Bond Index.

The Fund's Management Expense Ratio (MER) decreased to 1.41% in 2010 from 1.47% in 2009. This continues to be well below the average management expense ratio for Canadian bond funds (the *Globe and Mail* reports that the average MER for Canadian bond funds is 1.70%). There was a slight increase in the number of units outstanding during the year and at year-end the net asset value of the Fund stood at \$10.3 million compared to \$9.8 million at the end of 2009.

Recent Developments

Effective March 1, 2011 Foyston, Gordon & Payne Inc. became the Fund's portfolio manager. Also, a special meeting of

unitholders will be held on April 27, 2011 to consider changes to the Fund's investment objectives which would allow investing a portion of the Fund's assets in income generating Canadian equity securities. Further information regarding the special meeting of unitholders is available through the addresses shown on the cover page of this document.

Related Party Transactions and Management Fees

Tradex Management Inc. is the Manager of the Fund and as such 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 \$64,722 in 2010 (including GST/HST) and represents slightly less than 35% 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

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 years.

The Fund's Net Assets per Unit (1)

For the five years ended December 31

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

(1) This information 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 year.

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

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

(1) Management expense ratio is based on total expenses for the year and is expressed as an annualized percentage of daily average net asset value during the year.

(2) 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 year. The higher the fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of a fund.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

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 2010, \$49,155 in expenses were reduced for the Fund through such transactions.

Other Expenses

The other expenses incurred by the Fund amounted to \$125,624 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to TD Asset Management Inc.), administrative fees paid for fund accounting, the registrar function and other related activities (paid to Citigroup Fund Services Canada Inc., FundSERV Inc., The Canada Trust Company, CIBC Mellon Global Securities Services Company and various others suppliers), audit fees (paid 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 audited Statement of Operations on page 8.

III. PAST PERFORMANCE

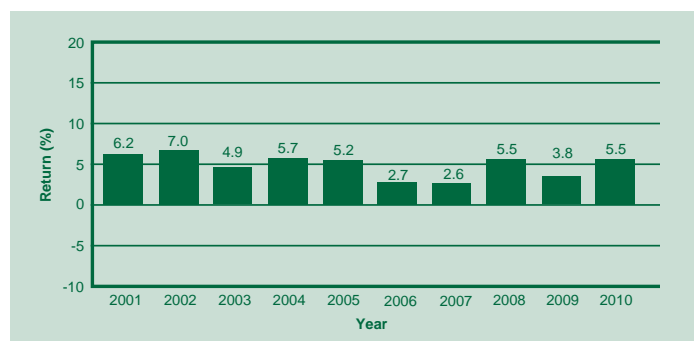
The past performance of the Fund is set out in the Year-by-Year Returns and Annual Compound Returns chart and table. All performance returns:

- are calculated as of December 31 of each year;
- assume all distributions made by the Fund were reinvested without charge to purchase additional units of the Fund; and
- are not reduced by any income taxes payable by you. You will be taxable on the distributions of net income even if you have reinvested them to purchase additional units, unless your investment is held in a registered tax plan.

The past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

This bar chart shows the Fund's annual performance in each of the past ten years. The chart shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each of the ten years, and how the performance varied from year to year.



Annual Compound Returns

The following table shows the Fund's annual compound total return for the periods indicated, as of December 31, 2010, compared to the DEX Universe Bond Total Return Index (formerly the Scotia Capital Markets Universe Bond Total Return Index).

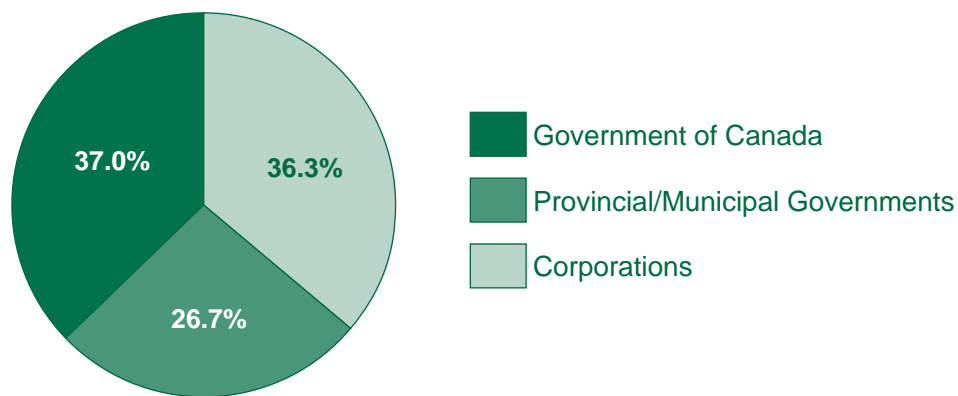
	Past 10 years	Past 5 years	Past 3 years	Past year
Tradex Bond Fund	4.9%	4.0%	4.9%	5.5%
DEX Universe Bond Total Return Index	6.3%	5.3%	6.2%	6.7%

The DEX Universe Bond Total Return Index is the broadest and most widely used measure of total return for the Canadian bond market, covering over 1,000 marketable Canadian bonds with term to maturity of more than 1 year. The Index is comprised of Canadian federal, provincial, municipal and corporate bonds rated BBB or higher. Bonds are weighted on a market value basis, including accrued interest.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at December 31, 2010 broken down by the category of issuer is as follows:



The following investments represent the 25 largest holdings of the Fund as of December 31, 2010 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.

Farm Credit Canada, 4.55%, April 12, 2021	12.5%	John Deere Credit Inc., 3.50%, June 23, 2014	2.3%
Government of Canada, 4.00%, June 1, 2041	8.5%	Consumers' Waterheater Operating Trust, 6.75%, April 30, 2014	2.3%
Canada Housing Trust, 4.00%, June 15, 2012	5.7%	Ontario Infrastructure Projects Corp., 4.70%, June 1, 2037	2.2%
Canada Mortgage & Housing Corp., 4.35%, February 1, 2017	5.1%	Sun Life Financial Inc., Variable Rate, 5.12%, June 26, 2018	2.0%
Province of British Columbia, 4.10%, December 18, 2019	4.8%	Province of British Columbia, 5.60%, June 1, 2018	2.0%
OMERS Realty Corp., 5.48%, December 31, 2012	4.8%	Canadian Utilities Limited, 7.05%, June 1, 2011	1.7%
Province of Saskatchewan, 3.90%, July 28, 2020	4.7%	Hydro One Inc., 5.77%, November 15, 2012	1.6%
OMERS Realty Corp., 4.74%, June 4, 2018	4.6%	Genesis Trust, 4.24%, September 15, 2011	1.4%
Province of British Columbia, 10.60%, September 5, 2020	4.5%	Canada Mortgage & Housing Corp., 5.50%, June 1, 2012	1.3%
Province of British Columbia, 4.70%, December 1, 2017	3.1%	Score Trust, 4.95%, February 20, 2014	1.2%
Alberta Capital Finance Authority, 4.65%, June 15, 2017	2.8%	Royal Bank of Canada, 5.95%, June 18, 2103	1.2%
Scotiabank Capital Trust, 6.28%, June 30, 2013	2.8%	Sub-total – largest 25 holdings	88.2%
Farm Credit Canada, 4.60%, June 1, 2021	2.6%	Remaining holdings	11.8%
Suncor Energy Inc., 6.70%, August 22, 2011	2.5%	Total Net Asset Value	100.0%

INDEPENDENT AUDITOR'S REPORT



March 17, 2011

To the Unitholders of Tradex Bond Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations and changes in net assets for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and 2009 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Ottawa, Ontario

STATEMENTS OF NET ASSETS *December 31*

	2010	2009
Assets		
Investments, at fair value *	\$ 10,177,855	\$ 9,739,558
Cash and short-term investments	228,667	40,653
Accrued interest	72,650	91,799
Receivable for investments sold	345	—
Subscriptions receivable	5,127	—
	10,484,644	9,872,010
Liabilities		
Accounts payable and accrued liabilities	46,687	30,578
Payable for investments purchased	150,654	36,136
Redemptions payable	3,928	—
	201,269	66,714
Net assets, representing unitholders' equity	\$ 10,283,375	\$ 9,805,296
Units issued and outstanding, end of year <i>(Note 7)</i>	\$ 985,517	\$ 959,254
Net assets per unit	\$ 10.43	\$ 10.22
	\$ 9,857,905	\$ 9,517,805

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 *Year ended December 31*

	2010	2009
Investment Income		
Revenue		
Interest	\$ 466,560	\$ 456,609
	466,560	456,609
Expenses <i>(Note 6)</i>		
Management fees	64,722	61,714
Investment advisory fees	50,000	26,000
Administration costs	43,940	46,973
Independent review committee	60	27
Audit fees	13,000	13,000
Custodian fees	4,000	2,999
Registration fees and expenses	14,624	14,533
Expense reductions <i>(Note 6)</i>	(49,155)	(21,000)
	141,191	144,246
Net investment income	325,369	312,363
Realized and unrealized gain on investments		
Net realized gain on sale of investments	96,681	35,951
Change in unrealized appreciation on investments	98,197	17,837
Net gain on investments	194,878	53,788
Increase in net assets from operations	\$ 520,247	\$ 366,151
Increase per unit in net assets from operations	\$ 0.54	\$ 0.38

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

STATEMENTS OF CHANGES IN NET ASSETS *Year ended December 31*

	2010	2009
Net assets, beginning of year	\$ 9,805,296	\$ 9,492,412
Add (deduct)		
Operations		
Increase in net assets from operations	520,247	366,151
Distributions		
Distributions to unitholders from investment income	(328,468)	(312,311)
	191,779	53,840
Units		
Proceeds from issue of units	1,090,879	862,865
Reinvestment of distributions	328,052	310,858
Consideration paid for redemptions of units	(1,132,631)	(914,679)
	286,300	259,044
Net assets, end of year	\$ 10,283,375	\$ 9,805,296

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

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2010*

Bonds	Par value	Average cost	Fair value	% of total Fair value
Federal				
Business Development Bank of Canada, 4.35%, February 28, 2022	100,000	\$ 96,760	\$ 106,256	
Canada Housing Trust, 4.00%, June 15, 2012	565,000	586,555	583,758	
Canada Mortgage & Housing Corp., 5.50%, June 1, 2012	129,000	137,733	135,673	
Canada Mortgage & Housing Corp., 4.35%, February 1, 2017	482,000	471,830	519,442	
Farm Credit Canada, 4.55%, April 12, 2021	1,187,000	1,187,957	1,284,050	
Farm Credit Canada, 4.60%, June 1, 2021	242,000	241,980	262,725	
Government of Canada, 4.00%, June 1, 2041	800,000	846,742	870,424	
		3,569,557	3,762,328	37.0%
Provincial / Municipal				
Alberta Capital Finance Authority, 4.65%, June 15, 2017	262,000	261,531	284,485	
Hydro-Quebec, 5.00%, February 15, 2045	100,000	104,342	110,617	
Ontario Infrastructure Projects Corp., 4.70%, June 1, 2037	232,000	227,627	228,812	
Ontario School Boards Financing Corp., 6.25%, October 19, 2016	40,000	47,080	45,525	
Province of British Columbia, 4.70%, December 1, 2017	292,000	299,007	318,674	
Province of British Columbia, 5.60%, June 1, 2018	180,000	198,144	206,271	
Province of British Columbia, 4.10%, December 18, 2019	475,000	476,100	491,478	
Province of British Columbia, 10.60%, September 5, 2020	300,000	469,800	464,745	
Province of Ontario, 4.20%, June 2, 2020	80,000	79,225	82,272	
Province of Saskatchewan, 5.25%, December 3, 2012	2,000	2,116	2,128	
Province of Saskatchewan, 3.90%, July 28, 2020	475,000	482,552	483,578	
		2,647,524	2,718,585	26.7%
Corporate				
Bank of Montreal, 5.04%, September 4, 2012	75,000	79,400	78,583	
Bank of Montreal, Variable Rate, 5.10%, April 21, 2021	75,000	75,014	80,258	
Bank of Nova Scotia, 4.94%, April 15, 2019	50,000	51,570	53,052	
BMO Capital Trust, 6.69%, December 31, 2011	23,000	25,767	24,007	
Borealis Infrastructure Trust, 6.27%, May 3, 2011	4,000	4,380	4,053	
Canada Life Capital Trust, 7.529%, June 30, 2032	5,000	5,152	5,930	
Canadian Imperial Bank of Commerce, 5.15%, June 6, 2018	55,000	57,629	58,193	
Consumers' Waterheater Operating Trust, 6.75%, April 30, 2014	225,000	233,852	233,145	
Canadian Utilities Limited, 7.05%, June 1, 2011	175,000	190,960	178,812	
General Electric Capital Corp., 5.15%, June 6, 2013	110,000	111,475	116,096	
Genesis Trust, Class 'A', 4.24%, September 15, 2011	140,000	143,976	142,621	
Honda Canada Finance Inc., 4.73%, May 9, 2011	85,000	88,018	85,915	
Hydro One Inc., 5.77%, November 15, 2012	150,000	160,050	159,944	
John Deere Credit Inc., 3.50%, June 23, 2014	235,000	243,342	239,524	
Manulife Financial Capital Trust, 6.70%, June 30, 2012	28,000	28,189	29,439	
Manulife Financial Corp., 5.16%, June 26, 2015	35,000	35,000	36,835	
Master Credit Card Trust, Class 'A', 5.24%, May 21, 2013	50,000	51,272	53,206	
OMERS Realty Corp., 5.48%, December 31, 2012	460,000	477,323	489,195	
OMERS Realty Corp., 4.74%, June 4, 2018	450,000	442,225	475,677	
Power Corp. of Canada, 8.57%, April 22, 2039	15,000	20,730	20,778	
Royal Bank of Canada, 5.95%, June 18, 2103	112,000	119,664	121,717	
Score Trust, 4.95%, February 20, 2014	120,000	122,690	126,251	
Scotiabank Capital Trust, 6.28%, June 30, 2013	262,000	276,585	283,193	
Scotiabank Capital Trust, 6.63%, June 30, 2052	41,000	41,160	43,388	
Sun Life Capital Trust, 6.86%, December 31, 2011	92,000	98,483	95,886	
Sun Life Financial Inc., 5.12%, June 26, 2018	200,000	199,938	208,762	
Suncor Energy Inc., 6.70%, August 22, 2011	245,000	256,980	252,482	
		3,640,824	3,696,942	36.3%
Total bonds		9,857,905	10,177,855	100.0%
Total portfolio of investments		\$ 9,857,905	\$ 10,177,855	100.0%

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

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 recorded at the closing bid price (“fair value”) provided by independent security pricing services.

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.

Net assets per unit

“Net assets per unit” is based on the total net assets outstanding as at the end of year 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 year divided by the weighted average number of units outstanding over the year.

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 December 31, 2010 is as follows:

Level 1 Assets – \$228,667 in cash or short term investments (\$40,653 in 2009).

Level 2 Assets – \$10,177,855 consisting of bond issues that trade in the Canadian bond market (\$9,739,558 in 2009).

There were no transfers between levels during the year ended December 31, 2010.

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.

In 2010, Tradex Bond Fund’s investment objective was to achieve a combination of interest income and long-term capital preservation by investing in a diversified portfolio of Government of Canada, provincial government, municipal government and investment grade corporate bonds. Risk was reduced through investment in Government of Canada bonds and provincial government bonds. 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 bonds 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

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 December 31, 2010 and 2009 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 Net Investments	
	2010	2009
AAA	66.9%	66.7%
AA	12.1%	15.5%
A	18.5%	17.8%
BBB	2.5%	—

(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 December 31, 2010 and 2009, the Fund's exposure to debt instruments by maturity was as follows:

Maturity Date	As a Percentage of Net Investments	
	2010	2009
Less than 3 years	29.6%	22.0%
3-5 years	8.0%	21.5%
5-10 years	34.0%	30.2%
Greater than 10 years	28.4%	26.3%

As at December 31, 2010, 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 1.58% or approximately \$162,000 (1.48% or approximately \$146,000 in 2009). 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. The Fund did not have any significant other market risk that the Manager is aware of.

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 2010, \$49,155 in expenses were reduced for the fund through such transactions (\$21,000 in 2009).

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 December 31 were as follows:

	2010	2009
Outstanding, beginning of year	959,254	933,645
Issued	135,009	114,888
Redeemed	(108,746)	(89,279)
Outstanding, end of year	985,517	959,254

8. 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.

BOARD OF DIRECTORS AND OFFICERS

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*Consultant
Director*

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