

2010

Annual Management Report of Fund Performance and Annual Financial Statements

Tradex EQUITY Fund Limited

December 31, 2010

You may get a copy of the Fund's Simplified Prospectus, Annual Information Form, 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**.

Tradex Management Inc.
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K1P 6L2

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TRADEX EQUITY FUND LIMITED STATEMENT OF MANAGEMENT'S RESPONSIBILITY

To our shareholders,

The accompanying Management Report of Fund Performance and Financial Statements have been prepared by Tradex Management Inc., the Manager of **Tradex Equity Fund Limited** and approved by the Manager's and the Fund'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 shareholders of Tradex Equity Fund Limited. They have audited the Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders 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 is to achieve long-term capital appreciation by investing primarily in a diversified portfolio of common shares of Canadian companies plus shares of companies in the United States and other countries.

The strategy of the Fund is to build positions in high quality growing companies. The Fund can be aggressive in the sense of stock and sector concentration, and will own a relatively high level of small cap stocks when desirable. Foreign content will be in the range of 15-35% of the total portfolio value in normal times (the upper limit is 50%).

To maintain adequate portfolio diversification, thus reducing risk, at least five S&P/TSX Composite Index industry sectors will be represented. To reduce currency risk, in normal times a portion of the foreign currency exposure will be hedged into Canadian dollars through derivatives known as forward contracts. The Fund will generally be fully invested, but should market conditions temporarily deteriorate, up to 30% of the portfolio could be converted into cash.

Risk

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 remain as discussed in the Fund's most recent Simplified Prospectus.

Tradex Equity Fund Limited is suitable for investors seeking capital appreciation over the long term, who are not concerned about the day-to-day fluctuations of their investment. It offers a level of diversity that many investors may not be able to achieve on their own.

Results of Operations

An investment in Tradex Equity Fund Limited increased in value by 16.0% during 2010.

The Canadian equity market "see-sawed" during the first half of 2010, while it moved decidedly higher during the second half of the year. In late April the market reached an 18-month peak, at which time the S&P/TSX Composite Index was up 4.6% from the end of 2009. However, the mood of the market turned decidedly negative as the second quarter progressed. From its peak in April to the mid-year point, the market declined in value by approximately 8% to finish the first half of the year down 3.8%. The decline in the U.S. market was even greater as the S&P 500 Index fell by 15% from its peak in April to finish the first half of the year down 7.6%. During the second half of the year the market moved steadily higher, buoyed by the continued recovery in the Canadian economy and rising commodity prices. As a result the S&P/TSX Composite Index closed the year up 14.4% while the U.S. S&P 500 Index, which was even stronger than the Canadian market during the second half of the year, closed the year up a respectable 12.8%.

Throughout the year approximately 78% of the Fund's total portfolio value was in Canadian equities, with the remaining 22%

in U.S. equities. The number of companies held in the Canadian portion of the portfolio increased from 77 to 84 while the number of U.S. positions was unchanged at 44. Small and mid cap companies represent a fairly large proportion of the Canadian portfolio and most of the trading activity during the year consisted of Portfolio Manager Phillips, Hager and North (PH&N)* making adjustments to small and mid cap companies in the Materials and Energy sectors in order to take advantage of opportunities as they arose.

The Materials sector, which consists mainly of mining companies, had an exceptionally strong year as commodity prices soared. At year-end, the Fund held positions in 19 companies in this sector which represented 17.7% of the total portfolio value (22.8% of the value of the Canadian portion of the portfolio). Included in these holdings were a number of both large cap and small cap gold mining companies, which represented approximately 12% of the portfolio value. In addition, Canada's two major potash mining companies represented over 3% of the total portfolio value.

At year-end there were 24 Canadian Energy stocks in the portfolio representing 21.5% of the total portfolio value versus 20.5% at the start of the year. Similar to the Materials sector, holdings in this sector consist of a combination of major companies (such as Suncor) plus several small cap companies. Also similar to the Materials sector, PH&N was active in trading companies in this sector, which was a significant benefit to the performance of the Fund.

Canadian financial stocks continue to represent an important part of the portfolio, including containing its three largest holdings; TD Bank, Royal Bank of Canada and Bank of Nova Scotia, which collectively represent 10.5% of the portfolio value. The total portfolio weighting to this sector, however, has declined from 24.2% at the end of 2009 to 21.4% at the end of 2010 in part because PH&N trimmed positions to re-deploy the funds to better performing sectors and in part due to the Financials sector underperforming the overall Composite Index in 2010.

In general, the U.S. market under-performed the Canadian market over the year, which was a "drag" on the Fund's performance. In addition, the strength of the Canadian dollar also represented a head-wind for the Fund. Throughout the year, in the range of 40-50% of the U.S. dollar exposure was hedged into Canadian dollars through derivatives known as forward contracts. This reduced the currency related losses that the Fund would otherwise have experienced due to the strength of the Canadian dollar.

A listing of the entire investment portfolio appears on pages 9 to 11. In addition, a summary of the weighting of the Fund's assets compared to the weighting for the 10 sub-groups in the S&P/TSX Composite Index appears under the heading "Summary of Investment Portfolio".

In 2010 there was a slight decrease in the number of shares outstanding while the Fund's total net asset value increased from \$85.8 million at the start of the year to \$92.6 million at year-end. Despite the incremental costs associated with the introduction of the Harmonized Sales Tax (HST), the management expense ratio, which continued to be among the lowest for

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

actively managed Canadian equity funds, decreased from 1.49% in 2009 to 1.36% in 2010 (the *Globe and Mail* reports that the average MER for Canadian focused equity funds is 2.71%). At the beginning of 2010 there was no capital gain distribution, while at the end of the year an ordinary dividend of 21.09 cents per share was paid to shareholders.

Looking ahead, PH&N note that market sentiment changed from being overly cautious to quite bullish in the latter half of 2010. While PH&N remain confident that the economic recovery will continue, they recognize that opportunities are not as plentiful as they have been in the past. They also note that corporate earnings continue to improve, while low interest rates and benign inflation provide a supportive environment for equities in

the coming year. Strong corporate free cash flow and a return to normally functioning credit markets also suggest that mergers and acquisitions activity and capital expenditures are set to accelerate, which PH&N believe should reinforce both valuations and economic demand.

* *Phillips, Hager & North Investment Management (PH&N) is an operating division within RBC Global Asset Management Inc. an indirect wholly owned subsidiary of Royal Bank of Canada.*

Recent Developments

For the third year in a row, in mid-January 2011 there was no capital gains distribution to shareholders of the Fund.

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 Share (1) (For the five years ended December 31)

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|
| Net assets per share, beginning of year | \$ 11.66 | \$ 8.95 | \$ 15.13 | \$ 16.97 | \$ 16.06 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | \$ 0.29 | \$ 0.25 | \$ 0.32 | \$ 0.48 | \$ 0.31 |
| Total expenses | \$ (0.16) | \$ (0.15) | \$ (0.17) | \$ (0.20) | \$ (0.18) |
| Realized gains (losses) for the year | \$ 0.71 | \$ (1.41) | \$ (0.35) | \$ 0.46 | \$ 1.27 |
| Unrealized gains (losses) for the year | \$ 1.00 | \$ 4.24 | \$ (5.52) | \$ (1.44) | \$ 0.49 |
| Total increase (decrease) from operations (2) | \$ 1.84 | \$ 2.93 | \$ (5.72) | \$ (0.70) | \$ 1.89 |
| Distributions to investors: | | | | | |
| From dividends | \$ 0.21 | \$ 0.24 | \$ 0.29 | \$ 0.40 | \$ 0.21 |
| From capital gains | \$ — | \$ — | \$ 0.12 | \$ 0.71 | \$ 0.78 |
| Total Annual Distributions (3) | \$ 0.21 | \$ 0.24 | \$ 0.41 | \$ 1.11 | \$ 0.99 |
| Net assets per share, end of year | \$ 13.32 | \$ 11.66 | \$ 8.95 | \$ 15.13 | \$ 17.01 |

(1) *This information is derived from the Fund's audited annual financial statements. Starting in 2007, net assets per share represented in the audited financial statements differ from net asset value per share calculated for fund pricing purposes. This reflects the Fund's revised accounting policies adopted in accordance with changes in Canadian generally accepted accounting principles (GAAP) introduced by the Canadian Institute of Chartered Accountants. The net asset value per share for pricing purposes (as opposed to the GAAP net assets per share) was \$11.69 at the beginning of 2010 and \$13.34 as at December 31, 2010. A further explanation of this difference can be found in the Notes to the audited financial statements on pages 12-13.*

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

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

| Ratios and Supplemental Data | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-----------|-----------|------------|------------|------------|
| Total net asset value, end of year (000's) | \$ 92,615 | \$ 85,798 | \$ 67,520 | \$ 117,229 | \$ 131,158 |
| Weighted average net asset value (000's) | \$ 86,596 | \$ 75,228 | \$ 100,094 | \$ 128,999 | \$ 125,172 |
| Number of shares outstanding, end of year (000's) | 6,943 | 7,341 | 7,508 | 7,727 | 7,709 |
| Management expense ratio (1) | 1.36% | 1.49% | 1.28% | 1.18% | 1.19% |
| Management expense ratio before waivers or absorptions (1) | 1.46% | 1.49% | 1.39% | 1.30% | 1.27% |
| Trading expense ratio (2) | 0.10% | 0.28% | 0.30% | 0.30% | 0.11% |
| Portfolio turnover rate (3) | 43.12% | 95.21% | 83.84% | 72.28% | 26.23% |
| Net asset value per share, end of year | \$ 13.34 | \$ 11.69 | \$ 8.99 | \$ 15.17 | \$ 17.01 |

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

(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 year. The higher a 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 the performance of a fund.*

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

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 0.7% of the Fund's net asset value, calculated and accruing daily. This amounted to \$655,329 in 2010 (including GST/HST) and represents slightly more than 50% of the total expenses paid by the Fund (excluding brokerage fees). 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 shareholders and potential shareholders. 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, \$85,541 in expenses were reduced for the Fund through such transactions.

Other Expenses

The other expenses incurred by the Fund amounted to \$602,624 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to Phillips, Hager & North Investment Management Ltd.), 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 dividends and distributions made by the Fund were reinvested without charge to purchase additional shares of the Fund; and
- are not reduced by any income taxes payable by you. You will be taxable on the dividends and distributions of net income even if you have reinvested them to purchase additional shares, 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 S&P/TSX Composite Total Return Index.

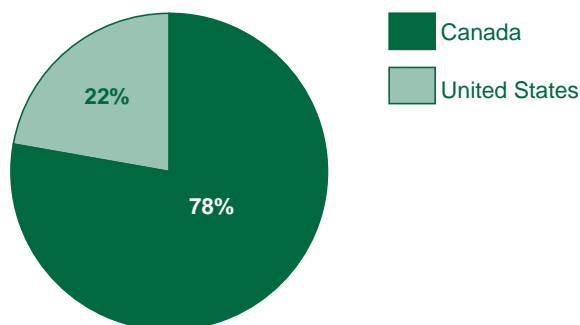
| | Past 10 years | Past 5 years | Past 3 years | Past year |
|--------------------------------------|---------------|--------------|--------------|-----------|
| Tradex Equity Fund Limited | 2.5% | 0.4% | -1.8% | 16.0% |
| S&P/TSX Composite Total Return Index | 6.6% | 6.5% | 2.1% | 17.6% |

The S&P/TSX Composite Total Return Index is the recognized standard for measuring the overall performance of the Canadian equity market. The Index covers approximately 95% of Canadian equity market capitalization and assumes the reinvestment of all dividends.

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 geographic location of the companies in the portfolio is as follows:



A summary of the sector weighting of the Canadian companies in the Fund's investment portfolio along with the weighting of each sector in the S&P/TSX Composite Index as at December 31, 2010 is as follows:

| | Weighting of the S&P/TSX Composite Index | Weight of the Canadian portion of the Fund's portfolio |
|----------------------------|--|--|
| Energy | 26.6% | 27.6% |
| Materials | 24.1% | 22.8% |
| Industrials | 5.5% | 5.7% |
| Consumer Discretionary | 4.5% | 6.2% |
| Consumer Staples | 2.5% | 2.0% |
| Health Care | 0.8% | 0.8% |
| Financials | 27.9% | 27.5% |
| Information Technology | 2.4% | 3.2% |
| Telecommunication Services | 4.0% | 3.1% |
| Utilities | 1.7% | 1.1% |
| Total | 100.0% | 100.0% |

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.

| | | | |
|------------------------------------|------|---|--------|
| Toronto-Dominion Bank | 3.6% | Power Corp. of Canada | 1.3% |
| Royal Bank of Canada | 3.6% | Talisman Energy Inc. | 1.3% |
| Bank of Nova Scotia | 3.3% | Bank of Montreal | 1.2% |
| Suncor Energy Inc. | 3.0% | Rogers Communications Inc., Class 'B' | 1.2% |
| Barrick Gold Corp. | 2.6% | TransCanada Corp. | 1.2% |
| Canadian Natural Resources Ltd. | 2.4% | BCE Inc. | 1.1% |
| Potash Corp. of Saskatchewan Inc. | 1.8% | EnCana Corp. | 1.0% |
| Goldcorp Inc. | 1.7% | Wal-Mart Stores Inc. (U.S.) | 1.0% |
| Teck Resources Ltd., Class 'B' | 1.6% | Agrium Inc. | 1.0% |
| Research In Motion Ltd. | 1.6% | Enbridge Inc. | 1.0% |
| Canadian Imperial Bank of Commerce | 1.5% | Brookfield Asset Management Inc., Class 'A' | 1.0% |
| Canadian National Railway Co. | 1.4% | Sub-total – largest 25 holdings | 43.1% |
| Cenovus Energy Inc. | 1.4% | Remaining holdings | 56.9% |
| Manulife Financial Corp. | 1.3% | Total Investment Portfolio | 100.0% |

INDEPENDENT AUDITOR'S REPORT



March 17, 2011

To the Shareholders of Tradex Equity Fund Limited (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 * | \$ 92,374,231 | \$ 84,860,889 |
| Cash and short-term investments | 318,985 | 484,536 |
| Dividends receivable | 145,343 | 143,747 |
| Accrued interest | 53 | — |
| Receivable for investments sold | — | 316,949 |
| Subscriptions receivable | 15,911 | 620 |
| | 92,854,523 | 85,806,741 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 207,416 | 231,087 |
| Redemptions payable | 135,589 | 3,000 |
| Distributions payable to shareholders | 52,023 | — |
| | 395,028 | 234,087 |
| Net assets, representing shareholders' equity | \$ 92,459,495 | \$ 85,572,654 |
| Shares issued and outstanding, end of year <i>(Note 7)</i> | 6,942,642 | 7,341,464 |
| Net assets per share | \$ 13.32 | \$ 11.66 |
| | \$ 76,752,017 | \$ 76,437,825 |

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

Approved by the Board
of Directors of
Tradex Equity Fund Limited and
Tradex Management Inc.



Andrew Campbell
Director



Karin Zabel
Director

STATEMENTS OF OPERATIONS *Year ended December 31*

| | 2010 | 2009 |
|---|----------------------|----------------------|
| Investment Income | | |
| Revenue | | |
| Dividends | \$ 1,877,301 | \$ 1,989,848 |
| Less foreign withholding taxes | (52,556) | (45,847) |
| | 1,824,745 | 1,944,001 |
| Interest | 1,068 | 943 |
| Foreign exchange gain (loss) | 216,907 | (95,311) |
| | 2,042,720 | 1,849,633 |
| Securities lending revenue | 2,678 | — |
| | 2,045,398 | 1,849,633 |
| Expenses <i>(Note 6)</i> | | |
| Management fees | 655,329 | 552,597 |
| Investment advisory fees | 222,000 | 188,000 |
| Administration costs | 277,940 | 293,973 |
| Independent review committee | 60 | 27 |
| Audit fees | 57,000 | 42,000 |
| Custodian fees | 31,000 | 32,000 |
| Registration fees and expenses | 14,624 | 14,533 |
| Expense reductions <i>(Note 6)</i> | (85,541) | — |
| | 1,172,412 | 1,123,130 |
| Net investment income | 872,986 | 726,503 |
| Realized and unrealized gain (loss) on investments and transaction costs | | |
| Net realized gain (loss) on sale of investments | 5,170,396 | (10,214,465) |
| Change in unrealized appreciation on investments and forward contracts | 7,199,150 | 31,275,089 |
| Transaction costs | (90,258) | (207,886) |
| Net gain on investments | 12,279,288 | 20,852,738 |
| Increase in net assets from operations | \$ 13,152,274 | \$ 21,579,241 |
| Increase per share in net assets from operations | \$ 1.84 | \$ 2.93 |

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 | \$ 85,572,654 | \$ 67,213,001 |
| Add (deduct) | | |
| Operations | | |
| Increase in net assets from operations | 13,152,274 | 21,579,241 |
| Distributions | | |
| Distribution to unitholders from investment income | (1,443,796) | (1,694,364) |
| | 11,708,478 | 19,884,877 |
| Shares | | |
| Proceeds from issue of shares | 5,324,344 | 2,701,981 |
| Reinvestment of distributions | 1,391,786 | 1,644,365 |
| Consideration paid on redemptions of shares | (11,537,767) | (5,871,570) |
| | (4,821,637) | (1,525,224) |
| Net assets, end of year | \$ 92,459,495 | \$ 85,572,654 |

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

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2010*

| Canadian Common Stocks | Number of shares | Average cost | Fair value | % of total fair value |
|-----------------------------------|------------------|--------------|--------------|-----------------------|
| Energy | | | | |
| Suncor Energy Inc. | 75,400 | \$ 3,167,258 | \$ 2,878,772 | |
| Canadian Natural Resources Ltd. | 55,000 | 2,045,645 | 2,434,850 | |
| Cenovus Energy Inc. | 39,400 | 433,469 | 1,305,322 | |
| Talisman Energy Inc. | 54,700 | 988,549 | 1,209,417 | |
| TransCanada Corp. | 29,000 | 1,010,307 | 1,099,680 | |
| EnCana Corp. | 35,500 | 499,458 | 1,030,920 | |
| Enbridge Inc. | 16,000 | 647,024 | 899,680 | |
| Midway Energy Ltd. | 198,000 | 286,069 | 871,200 | |
| Wild Stream Exploration Inc. | 91,000 | 425,346 | 869,960 | |
| Arcan Resources Ltd. | 127,000 | 374,429 | 720,090 | |
| Bonavista Energy Trust | 22,800 | 427,437 | 656,640 | |
| Cameco Corp. | 15,400 | 385,873 | 619,850 | |
| Provident Energy Trust | 70,000 | 528,565 | 553,700 | |
| Advantage Oil & Gas Ltd. | 81,700 | 560,848 | 552,292 | |
| Tourmaline Oil Corp. | 25,000 | 525,450 | 543,750 | |
| Bellatrix Exploration Ltd. | 100,000 | 363,306 | 480,000 | |
| Crew Energy Inc. | 25,000 | 399,250 | 477,000 | |
| Canadian Oil Sands Trust | 17,600 | 483,269 | 465,520 | |
| Second Wave Petroleum Inc. | 178,000 | 369,604 | 457,460 | |
| Petrominerales Ltd. | 13,000 | 354,597 | 429,260 | |
| Trinidad Drilling Ltd. | 65,000 | 396,074 | 408,850 | |
| Petrobank Energy & Resources Ltd. | 8,800 | 436,379 | 401,662 | |
| Niko Resources Ltd. | 3,600 | 359,725 | 371,232 | |
| Paramax Resources Ltd. | 648,100 | 324,050 | 106,936 | |
| | | 15,791,981 | 19,844,043 | 21.5% |
| Materials | | | | |
| Barrick Gold Corp. | 52,400 | 2,165,072 | 2,778,772 | |
| Potash Corp. of Saskatchewan Inc. | 14,300 | 2,260,646 | 2,206,633 | |
| Goldcorp Inc. | 35,400 | 1,483,591 | 1,620,966 | |
| Teck Resources Ltd., Class 'B' | 26,300 | 837,123 | 1,620,606 | |
| Agrium Inc. | 10,000 | 495,559 | 915,000 | |
| Tahoe Resources Inc. | 57,951 | 370,386 | 851,880 | |

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2010*

| Canadian Common Stocks (continued) | Number of shares | Average cost | Fair value | % of total fair value |
|--|-------------------------|---------------------|-------------------|------------------------------|
| Agnico-Eagle Mines Ltd. | 10,400 | \$ 621,852 | \$ 795,080 | |
| Equinox Minerals Ltd. | 103,000 | 592,903 | 629,330 | |
| Eldorado Gold Corp. | 33,100 | 432,815 | 612,019 | |
| Silver Wheaton Corp. | 15,700 | 251,259 | 611,672 | |
| Osisko Mining Corp. | 38,000 | 271,318 | 550,240 | |
| Kinross Gold Corp. | 27,914 | 548,510 | 526,737 | |
| Lake Shore Gold Corp. | 125,000 | 452,221 | 520,000 | |
| Consolidated Thompson Iron Mines Ltd. | 31,000 | 260,710 | 436,170 | |
| Quadra FNX Mining Ltd. | 24,200 | 349,429 | 404,866 | |
| Lundin Mining Corp. | 53,200 | 245,297 | 385,168 | |
| IAMGOLD Corp. | 18,200 | 336,913 | 322,140 | |
| Aura Minerals Inc. | 82,000 | 336,660 | 317,340 | |
| Detour Gold Corp. | 9,600 | 261,116 | 280,224 | |
| Kinross Gold Corp., Warrants, 2014/09/17 | 1,727 | 8,462 | 7,961 | |
| | | 12,581,842 | 16,392,804 | 17.7% |
| Industrials | | | | |
| Canadian National Railway Co. | 21,200 | 1,119,031 | 1,404,500 | |
| Canadian Pacific Railway Ltd. | 10,400 | 554,353 | 672,048 | |
| Bennett Environmental Inc. | 215,000 | 583,368 | 432,150 | |
| IESI-BFC Ltd. | 17,000 | 250,421 | 411,230 | |
| Finning International Inc. | 15,000 | 390,525 | 405,600 | |
| Aecon Group Inc. | 39,000 | 486,930 | 398,580 | |
| Bombardier Inc., Class 'B' | 67,000 | 328,952 | 335,000 | |
| Bennett Environmental Inc., Warrants, 2012/05/07 | 77,500 | 17,050 | 17,825 | |
| | | 3,730,630 | 4,076,933 | 4.4% |
| Consumer Discretionary | | | | |
| Magna International Inc., Class 'A' | 16,500 | 545,460 | 854,040 | |
| Shaw Communications Inc. | 32,200 | 617,054 | 685,860 | |
| Thomson Reuters Corp. | 17,847 | 579,186 | 663,016 | |
| Tim Hortons Inc. | 12,700 | 419,346 | 521,970 | |
| Astral Media Inc. | 12,300 | 530,745 | 515,985 | |
| Gildan Activewear Inc. | 14,800 | 440,076 | 418,988 | |
| Zungui Haixi Corp. | 154,973 | 472,012 | 407,579 | |
| Azure Dynamics Corp. | 1,190,949 | 306,915 | 363,239 | |
| | | 3,910,794 | 4,430,677 | 4.8% |
| Consumer Staples | | | | |
| GLG Life Tech Corp. | 42,577 | 400,562 | 455,148 | |
| Metro Inc., Class 'A' | 10,000 | 425,676 | 452,000 | |
| Alliance Grain Traders Inc. | 11,900 | 383,108 | 335,342 | |
| Maple Leaf Foods Inc. | 20,000 | 210,000 | 227,600 | |
| | | 1,419,346 | 1,470,090 | 1.6% |
| Financials | | | | |
| Toronto-Dominion Bank | 45,600 | 1,892,428 | 3,378,960 | |
| Royal Bank of Canada | 64,600 | 1,969,302 | 3,372,120 | |
| Bank of Nova Scotia | 52,900 | 2,365,445 | 3,016,887 | |
| Canadian Imperial Bank of Commerce | 18,800 | 1,220,015 | 1,470,724 | |
| Manulife Financial Corp. | 76,300 | 1,366,784 | 1,304,730 | |
| Power Corp. of Canada | 44,700 | 1,507,778 | 1,235,061 | |
| Bank of Montreal | 20,500 | 999,794 | 1,177,520 | |
| Brookfield Asset Management Inc., Class 'A' | 26,900 | 602,272 | 892,273 | |
| National Bank of Canada | 10,700 | 564,437 | 731,666 | |
| Sun Life Financial Inc. | 22,400 | 664,987 | 672,448 | |
| Westaim Corp. | 1,000,000 | 500,000 | 550,000 | |
| Genworth MI Canada Inc. | 19,146 | 486,713 | 527,089 | |
| Gluskin Sheff + Associates Inc. | 25,000 | 498,250 | 516,750 | |
| Intact Financial Corp. | 9,500 | 418,886 | 482,220 | |
| Canadian Real Estate Investment Trust | 15,000 | 411,163 | 465,300 | |
| | | 15,468,254 | 19,793,748 | 21.4% |
| Information Technology | | | | |
| Research In Motion Ltd. | 25,800 | 1,860,453 | 1,495,884 | |
| CGI Group Inc., Class 'A' | 25,000 | 383,450 | 429,250 | |
| Open Text Corp. | 8,700 | 347,158 | 396,807 | |
| | | 2,591,061 | 2,321,941 | 2.5% |
| Telecommunication Services | | | | |
| Rogers Communications Inc., Class 'B' | 32,700 | 413,361 | 1,128,477 | |
| BCE Inc. | 30,800 | 1,147,300 | 1,088,164 | |
| | | 1,560,661 | 2,216,641 | 2.4% |

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2010*

| Canadian Common Stocks (continued) | Number of shares | Average cost | Fair value | % of total fair value |
|--|---------------------|----------------------|----------------------|-----------------------------|
| Health Care | | | | |
| Valeant Pharmaceuticals International Inc. | 21,600 | \$ 513,281 | \$ 609,336 | |
| | | 513,281 | 609,336 | 0.7% |
| Utilities | | | | |
| Just Energy Income Fund | 55,000 | 735,852 | 823,350 | 0.9% |
| Total Canadian common stocks | | 58,303,702 | 71,979,563 | 77.9% |
| United States Common Stocks | | | | |
| Wal-Mart Stores Inc. | 17,781 | 979,724 | 955,094 | |
| Microsoft Corp. | 31,011 | 925,745 | 861,746 | |
| Brown & Brown Inc. | 35,002 | 723,169 | 832,853 | |
| Progressive Corp. | 40,954 | 945,321 | 810,501 | |
| United Technologies Corp. | 9,595 | 597,990 | 752,297 | |
| Cisco Systems Inc. | 37,178 | 859,407 | 748,732 | |
| Johnson & Johnson | 11,881 | 774,797 | 731,901 | |
| Danaher Corp. | 15,028 | 606,973 | 705,437 | |
| Sysco Corp. | 23,478 | 638,274 | 687,492 | |
| Wells Fargo & Co. | 22,088 | 619,632 | 681,769 | |
| IBM Corp. | 4,622 | 595,053 | 675,611 | |
| General Electric Co. | 32,890 | 533,440 | 599,152 | |
| Commercial Metals Co. | 35,634 | 663,401 | 587,384 | |
| ScanSource Inc. | 17,891 | 518,412 | 568,440 | |
| Intel Corp. | 26,482 | 480,843 | 554,953 | |
| Pfizer Inc. | 31,091 | 515,460 | 542,226 | |
| Varian Medical Systems Inc. | 7,724 | 442,854 | 532,978 | |
| WESCO International Inc. | 9,722 | 301,308 | 511,268 | |
| Nabors Industries Ltd. | 20,780 | 422,256 | 483,065 | |
| Tidewater Inc. | 8,944 | 464,446 | 481,044 | |
| Berkshire Hathaway Inc., Class 'B' | 5,407 | 361,507 | 431,368 | |
| Johnson Controls Inc. | 10,141 | 307,481 | 385,736 | |
| Dell Inc. | 28,157 | 367,747 | 378,879 | |
| Gilead Sciences Inc. | 10,364 | 384,926 | 373,883 | |
| McGraw-Hill Companies, Inc. | 9,861 | 354,481 | 357,406 | |
| Motorola Inc. | 38,469 | 272,578 | 347,518 | |
| Aflac Inc. | 6,073 | 250,887 | 341,208 | |
| Illinois Tool Works Inc. | 6,419 | 261,031 | 341,020 | |
| AutoZone Inc. | 1,252 | 256,261 | 338,084 | |
| Home Depot Inc. | 9,305 | 254,804 | 324,836 | |
| Mosaic Co. | 4,064 | 241,734 | 309,005 | |
| Allstate Corp. | 9,611 | 289,830 | 303,546 | |
| Nucor Corp. | 6,954 | 347,966 | 303,436 | |
| CarMax Inc. | 8,923 | 166,905 | 283,327 | |
| American Eagle Outfitters Inc. | 18,800 | 251,043 | 272,820 | |
| Masco Corp. | 21,067 | 249,118 | 265,641 | |
| Valero Energy Corp. | 11,431 | 264,608 | 263,228 | |
| Winnebago Industries Inc. | 16,346 | 204,902 | 242,256 | |
| Merck & Co. Inc. | 6,079 | 182,322 | 218,211 | |
| Qualcomm Inc. | 3,909 | 147,997 | 192,605 | |
| Alcoa Inc. | 12,421 | 140,811 | 190,395 | |
| GameStop Corp., Class 'A' | 7,771 | 162,071 | 176,393 | |
| AT&T Inc. | 3,782 | 102,735 | 110,708 | |
| True Religion Apparel Inc. | 4,554 | 105,683 | 100,967 | |
| Total foreign common stocks | | 18,537,933 | 20,156,419 | 21.8% |
| Transaction costs | | (89,618) | — | |
| Forward Contracts (note 2) - Schedule 1 | | — | 238,249 | 0.3% |
| Total portfolio of investments | | \$ 76,752,017 | \$ 92,374,231 | 100.0% |

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

Schedule 1 - Forward Contracts December 31, 2010

| Currency to Deliver | Purchase Amount | Currency | Amount | Settlement Date | Contract Price | Market Price | Appreciation/ (Depreciation) |
|------------------------|--------------------|----------|-----------|-----------------|----------------|--------------|---------------------------------|
| CAD | 1,977,683 | USD | 1,970,000 | 14-Jan-11 | 1.004 | 0.996 | (15,223) |
| CAD | 2,000,960 | USD | 2,000,000 | 14-Jan-11 | 1.000 | 0.996 | (8,615) |
| USD | 5,580,000 | CAD | 5,708,452 | 14-Jan-11 | 0.977 | 1.004 | 149,809 |
| USD | 2,550,000 | CAD | 2,602,275 | 14-Jan-11 | 0.980 | 1.004 | 62,035 |
| USD | 4,005,000 | CAD | 4,042,507 | 14-Feb-11 | 0.991 | 1.003 | 50,243 |
| | | | | | | | 238,249 |

1. Background

Tradex Equity Fund Limited (“the Fund”) is an incorporated company under the laws of Canada. Tradex Management Inc. is the Manager of Tradex Equity Fund Limited.

2. Summary of significant accounting policies

These 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 Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, “Financial Instruments – Recognition and Measurement”. Investments of the Fund that are traded on stock exchanges 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 share for financial reporting (“GAAP Net Assets”) and the Fund’s net asset value per share 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 change in unrealized appreciation (depreciation) on investments and forward contracts 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 difference may be material.

Forward foreign exchange contracts

The Fund enters into forward foreign exchange contracts for hedging purposes only. These contracts are limited to the fair value of foreign securities owned by the Fund and quoted in that currency or where the underlying exposure is to that currency. Contracts do not exceed three years duration. On a daily basis, the value of these contracts is the gain or loss that would be realized if the positions were to be closed out. This is recorded in “change in unrealized appreciation (depreciation) on investments”. Upon closing of the contracts, the accumulated gains or losses are reported in “Net realized gain (loss) on sale of investments” in the Statement of Operations.

Foreign exchange

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on each valuation day. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the exchange rates prevailing on the respective dates of such transactions.

Realized and unrealized foreign exchange gains (losses) on investments are included in “realized gain (loss) on sale of investments” and “change in unrealized appreciation (depreciation) on investments and forward contracts”, respectively in the Statement of Operations.

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 shareholders 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 share

“Net assets per share” is based on the total net assets outstanding as at the end of year divided by number of shares outstanding as at that date. The “increase (decrease) per share 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 shares outstanding over the year.

3. Classification of Financial Instruments

In accordance with 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 – \$92,118,157 in equities that trade in an active market on a recognized stock exchange and \$318,985 in cash and short-term investments (\$84,715,810 and \$484,536, respectively in 2009).

Level 2 Assets – forward foreign exchange contracts with a net unrealized appreciation of \$238,249 (\$145,079 in 2009) and \$17,825 consisting of equities that do not have a quoted price in an observable market (nil in 2009), representing their fair value .

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, foreign exchange rates, economic conditions, and market and company news related to specific securities within the Fund.

Tradex Equity Fund Limited’s investment objective is to achieve long-term capital appreciation by investing primarily in a diversified portfolio of common shares of Canadian companies plus shares from companies in the United States and other countries. To maintain adequate portfolio diversification, thus reducing concentration risk, at least five S&P/TSX Composite Index industry sectors will be represented. Normally, foreign content will be in the range of 15-35% of the total portfolio value (the upper limit on foreign content is 50%).

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. To partially limit currency risk, the Fund has entered into commitments in the form of foreign exchange forward contracts for the sale of U.S. dollars (note 3). The purpose of these contracts is to partially preserve the fair value of Fund assets by offsetting the impact of increases in the Canadian dollar relative to the U.S. dollar (the underlying foreign currency exposure). In the case of a decrease in the Canadian dollar relative to the U.S. dollar foreign exchange forward contracts in place decrease in value while the relative value of the U.S. funds increase.

NOTES TO FINANCIAL STATEMENTS *December 31, 2010 (cont'd)*

The Fund's net foreign currency exposure in Canadian dollars, after giving effect to the notional value of foreign currency forward contracts, at December 31, 2010 and 2009, is as follows (\$'000):

| | Foreign Currency Exposure | Notional value of foreign exchange forward contracts | Net foreign currency exposure |
|-------------------|---------------------------------|--|-------------------------------------|
| 2010 U.S. Dollars | 20,459 | 8,136 | 12,323 |
| 2009 U.S. Dollars | 18,893 | 9,213 | 9,680 |

As at December 31, 2010 if the Canadian dollar had strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, net of foreign currency hedges, by approximately \$616,000 (\$484,000 in 2009). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(b) Credit risk

Credit risk is the risk that counterparty to a financial contract will fail to discharge its obligation in accordance with agreed-upon terms. The Fund is subject to credit risk arising from foreign currency hedging and securities lending activities. This risk is managed by entering into contracts with creditworthy counterparties subject to minimum credit-rating requirements, by setting limits on the amount of exposure and by requiring adequate collateral. As at December 31, 2010 securities on loan totaled \$16,451,173 whereas collateral held (non-cash) totaled \$17,289,767 (nil in 2009).

(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 majority of the Fund's financial assets and liabilities are non-interest bearing. Accordingly, the Fund is not subject to any significant risk due to fluctuations in the prevailing levels of market interest rates.

(d) 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 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.

As at December 31, 2010, almost all of the Fund's net assets were traded on global stock exchanges. If equity prices on global stock exchanges had increased or decreased by 10% as at the year-end, with all other factors remaining constant, net assets could possibly have increased or decreased by approximately \$9,214,000, respectively (\$8,472,000 in 2009). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(e) 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 shares. The shares of the Fund are issued and redeemed on demand at the then current transactional net asset value per share at the option of the shareholder. Liquidity risk is managed by investing the majority of the Fund's assets (if not all of its 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.

5. Taxes

Tradex Equity Fund Limited qualifies as a mutual fund corporation for federal income tax purposes. The Fund is subject to tax on taxable dividends received from taxable Canadian corporations. This tax is refundable at a rate determined by a formula when taxable dividends are paid. The Fund is subject to tax on capital gains. However, this tax is refundable if sufficient capital gains are distributed to shareholders either as capital gains

dividends or through the redemption of shares. There was no capital gains distribution in 2010 or 2009.

As at December 31, 2010, the Fund had \$974,000 in non-capital losses expiring in 2028 and \$1,160,000 expiring in 2029 and \$10,159,000 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 0.7% 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, \$85,541 in expenses were reduced for the Fund through such transactions (nil in 2009).

7. Share capitalization

The capital of the Fund is represented by issued redeemable shares 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 share upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of shares, other than minimum subscription requirements. 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 shares during the last two years ending December 31 were as follows:

| | 2010 | 2009 |
|--------------------------------|-----------|-----------|
| Outstanding, beginning of year | 7,341,464 | 7,507,531 |
| Issued | 537,468 | 407,416 |
| Redeemed | (936,290) | (573,482) |
| Outstanding, end of year | 6,942,642 | 7,341,464 |

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

The reason for the difference between "Net Asset Value per Share" and "Net Assets per Share" relates to the different methods of valuing the Fund's investment portfolio. "Net Asset Value per Share" is based on valuing the Fund's investments at their last traded price for the day on the relevant stock exchange. "Net Assets per Share" is based on valuing the Fund's investments at their closing bid price for the day as supplied by independent securities pricing services.

| | Dec. 31, 2010 | Dec. 31, 2009 |
|--------------------------------|---------------|---------------|
| Net Asset Value Per Share (\$) | 13.34 | 11.69 |
| Section 3855 Adjustment (\$) | (0.02) | (0.03) |
| Net Assets Per Share (\$) | 13.32 | 11.66 |

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 share will be impacted from the changeover to IFRS.

BOARD OF DIRECTORS AND OFFICERS

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Director and Treasurer*

Philip E. Charko, Ottawa, Ont.

*Canadian Employment Insurance Funding Board
Director and Secretary*

Blair R. Cooper, Ottawa, Ont.

*Tradex Management Inc.
Director and President*

R. Allen Kilpatrick, Ottawa, Ont.

*Atomic Energy of Canada Limited (retired)
Director*

Roger R. Leclaire, Ottawa, Ont.

*Justice Canada (retired)
Director and Chair*

Michael T. Mace, Ottawa, Ont.

*Foreign Affairs and International Trade Canada (retired)
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Senior Vice President and Chief Operating Officer*

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*Indian Affairs and Northern Development
Canada (retired)
Director and Vice Chair*

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*Environment Canada
Director*

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*Human Resources and Social Development Canada (retired)
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Deborah M. Wright, Gatineau, Que.

*Tradex Management Inc.
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*Consultant
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