

# 2010

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

### Tradex GLOBAL EQUITY Fund

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](http://www.sedar.com).

**Tradex Management Inc.**  
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## TRADEX GLOBAL EQUITY 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 Global Equity 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 is to achieve long-term capital appreciation by investing primarily in closed-end fund companies whose investments are principally in a diversified portfolio of equity securities of issuers based in any country.

The Fund's investment approach involves deciding which of the world's stock markets, industry sectors and currencies have the best potential rate of return and allocating assets accordingly. Among the key economic and financial indicators studied by portfolio manager City of London Investment Management Company Limited (CLIM) are industrial production, short-term interest rates, consumer price indices, balance of payments data, gross domestic product data, commodity prices, and foreign exchange rates. The Fund's asset weighting by country (and industrial sector) can change rapidly and can also deviate substantially from the representative country weighting for the Fund's benchmark, the MSCI World Total Return Index.

Indirect investments in global stocks are made primarily through exchange traded closed-end fund companies managed by some of the world's leading investment firms. The discounts at which most closed-end funds trade form a meaningful element in the portfolio strategy. The Fund also invests in Index Participation Units (IPUs or iShares) that mirror the performance of a particular exchange index. Also, up to 25 percent of the book value of the portfolio may be invested in shares of non closed-end fund companies listed on a recognized stock exchange.

Diversifying the portfolio across global markets allows gains in one country to be balanced by losses in another, thereby reducing risk. The Americas, Europe and Asia are all represented in the portfolio, with emerging markets not accounting for more than 20 percent of total investments. Funds representing a single country cannot account for more than 35 percent of the portfolio, with the exception of the United States.

The investment portfolio of most closed-end funds represents a cross-section of companies based in a country, geographic region or industry sector further reducing risk through diversification.

Derivatives may be used for foreign currency hedging purposes only. Should market conditions temporarily deteriorate, up to 50 percent of the portfolio could be converted to 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.

The Fund is suitable for those with a long-term investment horizon, who are not concerned about the day-to-day fluctuations of their investment, and who wish to hold investments that are not dependent on the Canadian economy.

### Results of Operations

An investment in Tradex Global Equity Fund increased in value by 10.7% during 2010 compared to an increase of 6.8%, in terms of Canadian dollars, in its benchmark, the MSCI World Total Return Index.

The volatility in global equity markets continued in the first half of 2010. During the first quarter equity markets in most countries initially moved higher and then lower versus year-end, before finishing the quarter with modest gains. However, the mood of the market turned decidedly negative as the second quarter progressed. This was triggered by the realization of the severity of the debt problems facing Greece and a number of other euro zone countries. In addition, as the second quarter progressed concerns increased on a number of fronts, including expectations for slower growth in China, the lack of a rebound in U.S. employment and the weak U.S. housing market. Thus, equity markets ended the first-half of the year at essentially their lowest point for the year, with the MSCI World Total Return Index down 8.4% in terms of Canadian dollars.

Equity markets rebounded strongly during the second half of the year following reduced fears over the ramifications of European sovereign debt defaults and as investors gained confidence that government and central bank policy decisions would lead to sustained economic growth. In addition, during the fourth quarter, the trend of U.S. economic data was decidedly positive, although both the housing market and employment data remained weak. In local currency terms, the movement in key equity markets around the world during 2010 was as follows (mid-year change shown in brackets). In North America, the U.S. S&P 500 Index closed the year up 12.8% (versus down 7.6% at mid-year) while the Toronto S&P/TSX Composite Index was up 14.4% (versus down 3.8%). In Europe, the German DAX Index was up 16.1% (versus up 0.1%), the U.K. FTSE 100 Index increased by 9.0% (versus down 9.2%) while the Paris CAC 40 Index dropped 3.3% (versus down 12.5% at mid-year). In Asia, Japan's Nikkei 225 Index ended the year down 3.0% (versus down 11.0% at mid-year), while Hong Kong's Hang Seng Index was up 5.3% (versus down 8.0%).

For Canadian investors, however, the local currency gains noted above were in large part offset by the strength of the Canadian dollar. During the year the Canadian dollar increased in value by approximately 6% versus the U.S. dollar, 9% versus the British pound and 12% versus the Euro. On the other hand, it weakened by about 8% versus the Japanese yen. Thus, in terms of Canadian dollars the increases in worldwide equity markets were not nearly as large as in local currency terms.

Compared to most previous years, portfolio manager City of London Investment Management (CLIM) made relatively modest changes in the Fund's region/country asset allocation in 2010. In order to initially "take profits" and subsequently to take a more defensive stance, the portfolio weighting to the U.S. market was reduced from 50% at the start of the year to 45% at the start of the second quarter and to 40% at mid-year. For the balance of

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

the year it remained in the 40-45% range, versus a benchmark weighting of close to 50%. On the other hand, exposure to Asia was increased from 15% at the beginning of the year to 25% at the end of the second quarter, in part due to the increase in emerging market exposure in this region. Subsequently, it was held in the range of 20-25% for the balance of the year. The weighting to Europe was increased from 23% to 28% during the first quarter and remained in the 25-30% range for the remainder of the year. Emerging markets played a significant role in the

Fund's performance over the year, as emerging markets, in general, out performed other markets. In the early part of the year, emerging market exposure was increased from less than 5% to about 10% by the mid-year point and then held at slightly above this level for the balance of the year.

At year-end the net asset value of the Fund stood at \$8.4 million compared to \$7.6 million at the end of 2009. There was a slight increase in the number of units outstanding during the year. The

### 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 assets per unit, beginning of year	\$ 8.69	\$ 7.22	\$ 11.14	\$ 12.30	\$ 10.55
Increase (decrease) from operations:					
Total revenue	\$ 0.26	\$ 0.27	\$ 0.32	\$ 0.19	\$ 0.08
Total expenses	\$ (0.22)	\$ (0.22)	\$ (0.21)	\$ (0.26)	\$ (0.28)
Realized gains (losses) for the year	\$ 0.29	\$ (0.21)	\$ (2.97)	\$ 0.12	\$ 0.20
Unrealized gains (losses) for the year	\$ 0.59	\$ 1.74	\$ (1.01)	\$ (1.24)	\$ 1.89
Total increase (decrease) from operations (2)	\$ 0.92	\$ 1.58	\$ (3.87)	\$ (1.19)	\$ 1.89
Distributions to investors:					
From investment income	\$ —	\$ 0.11	\$ 0.06	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ —	\$ —	\$ 0.12
Total Distributions (3)	\$ —	\$ 0.11	\$ 0.06	\$ —	\$ 0.12
Net assets per unit, end of year	\$ 9.63	\$ 8.69	\$ 7.22	\$ 11.14	\$ 12.37

- (1) This information is derived from the Fund's audited annual financial statements. Starting in 2007, net assets per unit represented in the audited financial statements differ from net asset value per unit 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 unit for pricing purposes (as opposed to the GAAP net assets per unit) was \$8.74 at the beginning of 2010 and \$9.67 as at December 31, 2010. A further explanation of this difference can be found in the Notes to the audited financial statements on pages 11-13.
- (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)	\$ 8,440	\$ 7,550	\$ 6,013	\$ 9,296	\$ 9,511
Weighted average net asset value (000's)	\$ 7,754	\$ 6,599	\$ 7,854	\$ 9,858	\$ 8,472
Number of units outstanding, end of year (000's)	873	864	826	831	769
Management expense ratio (1)	2.49%	2.81%	2.23%	2.18%	2.54%
Management expense ratio before waivers or absorptions (1)	2.87%	2.97%	2.65%	2.52%	2.85%
Trading expense ratio (2)	1.10%	1.76%	2.02%	1.05%	0.87%
Portfolio turnover rate (3)	131.95%	219.47%	314.66%	204.62%	192.82%
Net asset value per unit, end of year	\$ 9.67	\$ 8.74	\$ 7.28	\$ 11.18	\$ 12.37

- (1) Management expense ratio is based on total expenses (excluding broker commission 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 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)

Fund's Management Expense Ratio (MER) declined to 2.49% in 2010 from 2.81% in 2009 (the *Globe and Mail* reports that the average MER for global equity funds is 2.73%). This reduction was achieved in part because Tradex Management Inc. was able to rebate a total of \$29,154 in its management fees to the Fund as a result of improved equity markets. In 2010 the Fund did not make a distribution to investors from investment income or capital gains.

### 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 \$49,389 in 2010 (including GST/HST) and represents slightly less than 25% 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 2010, \$29,154 in expenses were reduced for the Fund through such transactions.

### Other Expenses

The other expenses incurred by the Fund amounted to \$172,624 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to City of London Investment Management Company Limited), 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 year, and how the performance varied from year to year.



## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

### III. PAST PERFORMANCE (cont'd)

#### Annual Compound Returns

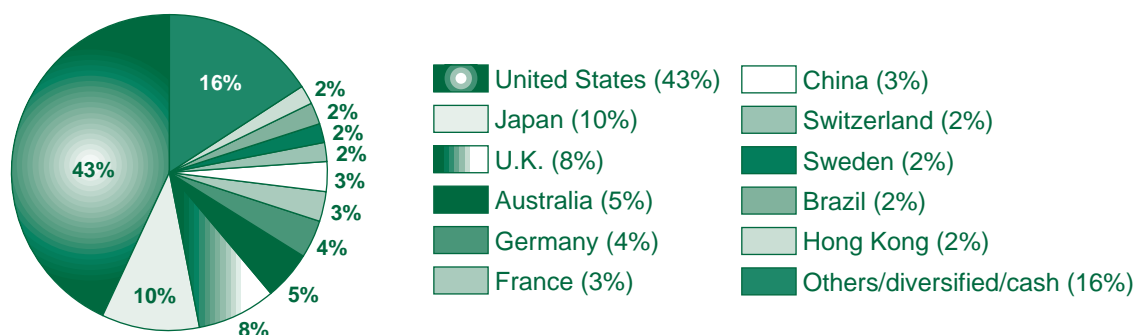
The following table shows the Fund's annual compound total return for the period indicated, as of December 31, 2010, compared to the Morgan Stanley Capital International World Total Return Index.

	Past 10 years	Past 5 years	Past 3 years	Past year
Tradex Global Equity Fund	1.6%	-1.1%	-4.1%	10.7%
MSCI World Total Return Index	-1.3%	-0.2%	-4.1%	6.8%

The MSCI World Total Return Index is a market capitalization index that is designed to measure global developed market equity performance. The Index consists of over 20 developed market country indices encompassing approximately 1,600 companies.

### IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at December 31, 2010 broken down by the geographic location of the exposure of the companies in the portfolio is as follows. (This represents portfolio manager City of London Investment Management's estimate of the underlying country exposure associated with the various assets held by the Fund.)



The following investments represent the holdings of the Fund as of December 31, 2010 shown as a percentage of the Fund's total 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.

Adams Express Co.	9.5%	Boulder Total Return Fund Inc.	2.2%
Tri-Continental Corp.	8.5%	Monks Investment Trust PLC	2.2%
Fidelity European Values PLC	5.8%	Princess Private Equity Holding Ltd.	2.2%
Schroder Japan Growth Fund PLC	5.4%	Ashmore Global Opportunities Ltd.	2.1%
General American Investors Co. Inc.	5.0%	Alliance Trust PLC	2.1%
WisdomTree Japan Hedged Equity Fund	3.8%	Caledonia Investments PLC	2.0%
European Investment Trust PLC	3.7%	Standard & Poor's 500 Depository Receipts	2.0%
British Empire Securities and General Trust PLC	3.0%	Conversus Capital LP	2.0%
Central Securities Corp.	3.0%	LinQ Resources Fund	1.8%
International Biotechnology Trust PLC	2.8%	iShares MSCI Germany Index Fund	1.8%
Claymore Dividend & Income Fund	2.8%	Electric and General Investment Trust PLC	1.7%
Royce Value Trust Inc.	2.7%	Sub-total – largest 25 holdings	83.1%
Fidelity European Values PLC	2.6%	Cash and remaining holdings	16.9%
Century Australia Investment Ltd.	2.4%	Total	100.0%

## INDEPENDENT AUDITOR'S REPORT

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March 17, 2011

### **To the Unitholders of Tradex Global Equity 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.

*Price Waterhouse Coopers LLP*

Chartered Accountants, Licensed Public Accountants  
Ottawa, Ontario

## STATEMENTS OF NET ASSETS *December 31*

	2010	2009
<b>Assets</b>		
Investments, at fair value *	\$ 8,295,066	\$ 7,455,392
Cash and short-term investments	241,542	117,368
Dividends receivable	28,050	25,622
Accrued interest	30	—
Receivable for investments sold	497,759	523,827
Subscriptions receivable	3,060	7,650
Other receivables	—	1,296
	<b>9,065,507</b>	8,131,155
<b>Liabilities</b>		
Accounts payable and accrued liabilities	67,722	45,432
Payable for investments purchased	588,791	576,447
Redemptions payable	7,198	—
	<b>663,711</b>	621,879
Net assets, representing unitholders' equity	\$ 8,401,796	\$ 7,509,276
Units issued and outstanding, end of year <i>(Note 7)</i>	872,675	864,088
<b>Net assets per unit</b>	<b>\$ 9.63</b>	<b>\$ 8.69</b>
	<b>\$ 7,730,911</b>	\$ 7,410,219

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

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



Andrew Campbell  
Director



Karin Zabel  
Director

## STATEMENTS OF OPERATIONS *Year ended December 31*

	2010	2009
<b>Investment Income</b>		
Revenue		
Dividends	\$ 232,908	\$ 251,083
Less foreign withholding taxes	(30,280)	(408)
	202,628	250,675
Interest	24,422	478
Foreign exchange gain (loss)	4,003	(27,011)
	231,053	224,142
Expenses <i>(Note 6)</i>		
Management fees	49,389	41,545
Investment advisory fees	83,000	68,000
Administration costs	38,940	37,973
Independent review committee	60	27
Audit fees	14,000	13,001
Custodian fees	22,000	21,000
Registration fees and expenses	14,624	14,533
Expense reductions <i>(Note 6)</i>	(29,154)	(10,500)
	192,859	185,579
<b>Net Investment Income</b>	<b>38,194</b>	<b>38,563</b>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Net realized gain (loss) on sale of investments	337,399	(21,042)
Change in unrealized appreciation on investments and forward contracts	518,982	1,421,847
Transaction costs	(85,396)	(115,862)
<b>Net gain on investments</b>	<b>770,985</b>	<b>1,284,943</b>
<b>Increase in net assets from operations</b>	<b>\$ 809,179</b>	<b>\$ 1,323,506</b>
<b>Increase per unit in net assets from operations</b>	<b>\$ 0.92</b>	<b>\$ 1.58</b>

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

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

	2010	2009
<b>Net assets, beginning of year</b>	<b>\$ 7,509,276</b>	<b>\$ 5,963,001</b>
Add (deduct)		
<b>Operations</b>		
Increase in net assets from operations	<b>809,179</b>	1,323,506
<b>Distributions</b>		
Distributions to unitholders from investment income	—	(92,496)
	<b>809,179</b>	1,231,010
<b>Units</b>		
Proceeds from issue of units	<b>1,221,115</b>	720,979
Reinvestment of distributions	—	91,226
Consideration paid for redemptions of units	<b>(1,137,775)</b>	(496,940)
	<b>83,341</b>	315,265
<b>Net assets, end of year</b>	<b>\$ 8,401,796</b>	<b>\$ 7,509,276</b>

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

## STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2010*

Foreign Equities	Number of shares	Average cost	Fair value	% of total fair value
<b>United States</b>				
Adams Express Co.	75,150	\$ 789,168	\$ 800,140	
Tri-Continental Corp.	52,573	624,091	717,893	
General American Investors Co. Inc.	15,900	385,295	423,940	
Central Securities Corp.	11,500	205,767	250,957	
Claymore Dividend & Income Fund	16,037	231,098	233,204	
Royce Value Trust Inc.	15,994	180,904	231,145	
Boulder Total Return Fund Inc.	12,217	178,294	188,119	
Standard & Poor's 500 Depository Receipts, Series '1'	1,350	169,044	169,124	
RENN Universal Growth Investment Trust PLC	22,500	81,654	85,704	
		2,845,315	3,100,226	37.4%
<b>Europe</b>				
Fidelity European Values PLC	28,218	500,822	488,287	
European Investment Trust PLC	36,510	316,062	315,035	
Fidelity European Values PLC	24,775	207,410	221,480	
Caledonia Investments PLC	5,807	151,590	171,538	
iShares MSCI Germany Index Fund	6,200	147,543	147,834	
Investor AB, Series 'B'	6,000	118,953	127,612	
Baring Emerging Europe PLC	6,000	83,664	85,168	
Henderson Smaller Companies Investment Trust PLC	18,500	82,983	82,261	
Hansa Trust PLC, Class 'A'	1,067	13,731	16,091	
		1,622,758	1,655,306	20.0%
<b>Asia</b>				
Schroder Japan Growth Fund PLC	328,250	408,757	459,305	
WisdomTree Japan Hedged Equity Fund	8,457	346,133	316,964	
HSBC China Dragon Fund	119,000	132,425	128,989	
Templeton Dragon Fund Inc.	4,200	108,098	127,253	
Aberdeen Asian Smaller Companies Investment Trust PLC	12,000	115,468	119,123	
Establishment Investment Trust PLC	29,550	85,320	80,858	
		1,196,201	1,232,492	14.9%
<b>Australia / New Zealand</b>				
Century Australia Investment Ltd.	260,833	208,309	204,565	
WAM Research Ltd.	122,500	88,520	89,211	
Barramundi Ltd., Warrants, 2011/10/27	300,729	10,799	14,240	
		307,628	308,016	3.7%
<b>Globally Diversified / Other</b>				
British Empire Securities and General Trust PLC	33,936	244,962	256,419	
International Biotechnology Trust PLC	105,000	217,961	236,707	
Monks Investment Trust PLC	33,945	161,403	187,352	
Princess Private Equity Holding Ltd.	21,500	166,143	181,767	
Ashmore Global Opportunities Ltd.	22,500	150,771	174,350	
Alliance Trust PLC	30,000	156,620	173,741	
Conversus Capital LP	9,370	165,001	168,079	
LinQ Resources Fund	153,895	85,358	154,554	
Electric and General Investment Trust PLC	20,000	123,464	139,614	
Latin America Discovery Fund Inc.	6,000	113,799	114,022	
Herald Investment Trust PLC	11,500	81,568	86,357	
Cayenne Trust PLC	40,000	77,904	79,602	
Clough Global Equity Fund	2,100	31,512	31,290	
First Israel Fund Inc.	878	14,150	15,172	
		1,790,616	1,999,026	24.1%
Total Equities		7,762,518	8,295,066	100.0%
Transaction costs		(31,607)	—	
<b>Total portfolio of investments</b>		<b>\$ 7,730,911</b>	<b>\$ 8,295,066</b>	<b>100.0%</b>

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

## 1. *Background*

Tradex Global Equity 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 Global Equity Fund.

## 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 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 "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.

### **Forward foreign exchange contracts**

The Fund enters into forward foreign exchange contracts for hedging purposes only. These contracts are limited to the market value of foreign securities owned by the Fund and quoted in that currency or where the underlying exposure is to that currency. 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 and forward contracts". Upon closing of the contracts, the accumulated gains or losses are reported in "Net realized gain (loss) on 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", 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 unit holders 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 divided by the number of units outstanding as at the end of the year. 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 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, 2009 is as follows:

Level 1 Assets – \$8,037,061 consisting of equities that trade in an active market on a recognized stock exchange and \$241,542 in cash or short term investments (\$7,413,379 and \$117,368 respectively, in 2009).

Level 2 Assets – \$258,005 consisting of equities that do not have a quoted price in an observable market (nil in 2009).

Level 3 Assets – nil (\$42,013 in 2009).

There were transfers of \$126,020 from Level 1 to Level 2 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 Global Equity Fund's investment objective is to achieve long-term capital appreciation by investing primarily in closed-end fund companies whose investments are principally in a diversified portfolio of equity securities of issuers based in any country. The Fund's investment approach involves deciding which of the world's stock markets, industry sectors and currencies have the best potential rate of return. Indirect investments in global stocks are made primarily through exchange traded closed-end fund companies. The Fund also invests in Index Participation Units (IPUs), which mirror the performance of a particular exchange index. Up to 25% of the book value of the portfolio may also be invested in shares of non closed-end fund companies listed on a recognized stock exchange. The Americas, Europe and Asia are all represented in the portfolio, with emerging markets not accounting for more than 20% of total investments. Funds representing a single country cannot account for more than 35% of the portfolio, with the exception of the United States. Foreign holdings will normally constitute 100%, or close to 100%, of the investment portfolio. Derivatives (forward contracts) may be used for foreign currency hedging purposes only.

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. Currencies to which the Fund had exposure as at December 31, 2010 and 2009 are as follows (\$' 000):

	Dec. 31, 2010	Dec. 31, 2009
U.S Dollars	4,308	3,984
U.K. Pounds	3,285	3,218
Australian Dollars	408	545
Euro	182	—
Hong Kong Dollars	129	—
Swedish Krona	128	—
New Zealand Dollars	14	93

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, net assets would have

increased or decreased, respectively, by approximately \$423,000 (\$392,000 in 2009). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

**(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 held no debt instruments and therefore did not have significant exposure to credit risk.

**(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 significant amounts of 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, 95.7% (98.7% in 2009) of the Fund's net assets were traded on global stock exchanges. If equity prices on all 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 \$804,000, respectively (\$741,000 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 units of the Fund are issued and redeemed on demand at the then current transactional net asset value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority 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.

**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.

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

As at December 31, 2010, the Fund had no non-capital losses and \$2,885,000 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, \$29,154 in expenses were reduced for the Fund through such transactions (\$10,500 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 distribution, 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	864,088	826,054
Issued	137,749	102,177
Redeemed	(129,162)	(64,143)
Outstanding, end of year	872,675	864,088

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

The reason for the difference between "Net Asset Value per Unit" and "Net Assets per Unit" relates to the different methods of valuating the Fund's investment portfolio. "Net Asset Value per Unit" is based on valuating the Fund's 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 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 December 31, 2010 were as follows:

	Dec. 31, 2010	Dec. 31, 2009
Net Asset Value Per Unit (\$)	9.67	8.74
Section 3855 Adjustment (\$)	(0.04)	(0.05)
Net Assets Per Unit (\$)	9.63	8.69

### 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.

## BOARD OF DIRECTORS AND OFFICERS

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## CORPORATE AND UNITHOLDERS INFORMATION

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