



Tradex

QUARTERLY

Yield on
Tradex Investment
Savings Account
now 1.75%

Second quarter 2011

President's Report to Tradex Investors



Renewed sovereign debt concerns in Europe (as well as in the U.S.) and fears that the pace of global economic growth may be stalling contributed to the Canadian equity market moving lower during the second quarter, with the S&P/TSX Composite Index decreasing by 5.8%. While the Canadian market rebounded at the end of the quarter from the technical

correction levels at mid-June, it closed the first half of the year down 1.1%. In the U.S., the S&P 500 Index was essentially flat for the quarter and up 5.0% for the first six months of the year. Once again, however, the increase in terms of Canadian dollars was less since the Canadian currency increased from 100.54 cents U.S. at the start of the year to 103.68 cents at the end of the second quarter, an increase of 3.1%.

In this environment of uncertainty, the Bank of Canada maintained its overnight interest rate target at 1.00 per cent and the U.S. Federal Reserve held its policy interest rate at 0 to 0.25% while allowing its quantitative easing program (QE2) to expire. Yields on Government of Canada bonds moved 20-45 basis points lower. Looking ahead, it is now anticipated that the Bank of Canada will return to raising its policy rate either this Fall or during the first half of 2012.

PH&N reaching its 20th anniversary with Tradex

Having been appointed in July 1992, Phillips, Hager and North (PH&N) is reaching its 20th anniversary as the portfolio manager of Tradex Equity Fund Limited. In commemoration of this milestone and to show our appreciation to current Members while encouraging new membership, we're introducing a special client referral incentive. And we're doing it in conjunction with the annual United Way campaign. For each new client a Tradex Member refers to us, the existing Member will receive a ballot for a free trip for two to visit PH&N's offices in Vancouver B.C. In addition, we will make a \$20 donation to the United Way on their behalf. Each new Member will receive an initial \$20 bonus deposit into their new Tradex account. Over the years, we've grown and prospered with almost all new Tradex Members coming through referrals from existing Members, rather than through expensive advertising programs. So please encourage family members, fellow employees and friends to join Tradex so they too can profit from being a Member of this unique organization that

operates on an at cost basis solely for the benefit of current and retired public sector employees and their families.

Tradex Bond Fund Enhancements

Tradex Bond Fund unitholders approved enhancements to the Fund at a special meeting on April 27, 2011. With these enhancements, the new portfolio manager Foyston, Gordon & Payne Inc. (FGP) has now invested a portion of the Fund's portfolio in higher yielding investments and alternate asset classes with the aim to combat today's extremely low interest rate environment and provide enhanced capital protection in the event of a rising interest rate environment.

We welcome aboard a new employee

We are pleased to announce that Sigute Zitikyte has joined Tradex as our new Trading Associate. Sigute is a recent graduate of the University of Ottawa with an Honours Bachelor of Commerce degree. She is currently enrolled in the Canadian Investment Funds course and is scheduled to become a licensed investment adviser in the Fall. We welcome Sigute to the Tradex team.

Presentations at Tradex Annual General Meeting

If you missed the Tradex Annual General Meeting held on April 27, you might want to view the presentations given by our three portfolio managers, Phillips Hager & North, City of London Investment Management and Foyston, Gordon & Payne, on our website at www.tradex.ca. These presentations, along with my presentation (in PowerPoint), appear in the section entitled "Reports/News".

Creditor (Mortgage) Insurance

The last day of June each year is the biggest day for real estate transactions in Canada and in conjunction we've included with this Quarterly information on the very favourable Term Life Insurance options available through Tradex. Please pass this information along to anyone who may have purchased, or is considering purchasing, mortgage insurance so they may obtain better and lower cost protection for their families than they can normally get through the financial institution that provides the mortgage financing.

Blair Cooper
July 14, 2011

Tradex Equity Fund Limited – Quarterly Review – June 30, 2011

	Total return (%)			Average annual compound return (%)				
	Latest 3 months	Latest 6 months	1 year	2 years	3 years	5 years	10 years	Since inception*
Tradex Equity Fund Limited	-4.6	0.1	20.5	15.2	-1.5	0.9	3.2	9.6
S&P/TSX Total Return Index (TRI)**	-5.2	0.2	20.9	16.3	0.2	5.7	8.1	—
75% S&P/TSX TRI and 25% U.S. S&P 500 Index (\$CDN)**	-4.0	0.8	20.4	15.1	0.5	4.3	5.6	—
Median Canadian Focused Equity Fund**	-3.9	0.1	17.1	11.4	-0.7	2.1	4.7	—

*April 1960

**Source: Globe Information Services

During the second quarter an investment in Tradex Equity Fund Limited decreased in value by 4.6% while it has increased by 20.5% over the past year.

After three successive quarters of strong gains, the Canadian stock market gave back ground during the quarter on the back of mounting global economic and financial uncertainties. Commodity prices also moved lower to varying degrees this quarter, with oil and silver prices leading declines, while gold and copper prices held steadier. At its low point during the period, the S&P/TSX Composite Index was down 9.4% from the end of the first quarter, before it rallied during the final few days of June to close the period down 5.8%.

Looking at the Canadian market in terms of sectors, leadership so far this year has been the opposite of 2010. The Materials sector (primarily mining companies), which rallied in 2010, is now down 10.0% for the year while the Energy sector is down 2.2%. The strongest sectors in 2011 are Health Care, up 19.1%, Telecommunication Services, up 11.6% and Industrials, up 8.2%. The Financials sector, which represents 21% of the Fund's total portfolio value and includes the Fund's three largest holdings, is up 4.1% year-to-date. As at June 30, 2011 the Fund's 12 largest holdings were as follows:

TD Bank	4.1%	Barrick Gold Corp	2.2%
Royal Bank of Canada	4.0%	Goldcorp	1.9%
Bank of Nova Scotia	3.3%	Canadian National Railway	1.8%
Suncor Energy	3.1%	Cenovus Energy Inc	1.6%
Canadian Natural Resources	2.4%	CIBC	1.6%
Potash Corp of Sask.	2.4%	Teck Resources	1.6%

At the end of the second quarter, 77% of the total portfolio value was in Canadian equities, with 22% in U.S. equities and the remaining 1% in cash. Since the U.S. market outperformed the Canadian market (the S&P 500 Index was down 0.4% in local currency terms) the Fund benefited from its U.S. exposure during this quarter. The relative outperformance of the U.S. market was offset slightly by the continued increase in the Canadian dollar versus the U.S. dollar.

During the period portfolio manager Phillips, Hager & North (PH&N) remained moderately active adding new names as well as eliminating and trimming a number of existing holdings, primarily small-cap companies in the mining and energy sectors.

PH&N note that for the past number of months there has been a long list of worries for capital markets and those worries remain largely unresolved. The sovereign debt crisis in Europe continues, and U.S. policymakers have not demonstrated headway in formulating plans to reduce their massive fiscal deficit. An unsettling new development is the generally poor economic data reported in the United States for May and June, in particular weak labour market reports. The consensus is that this "soft patch" in the U.S. economy will give way to a resumption of growth in the third quarter, as the culprits – supply chain disruptions due to the Japanese earthquake, a spike in oil and gasoline prices which has already begun to unwind, and unusual weather events such as the flooding on the Mississippi – are most likely temporary. However, while those issues may be temporary, with the economy still on an uncertain footing and with the 2008 financial crisis still on everyone's mind, it is understandable that equity markets have given back some of their gains since last summer's lows.

Tradex Bond Fund – Quarterly Review – June 30, 2011

	Total return (%)			Average annual compound return (%)				
	Latest 3 months	Latest 6 months	1 year	2 years	3 years	5 years	10 years	Since inception*
Tradex Bond Fund	2.3	1.5	3.5	4.7	4.9	4.8	5.0	6.4
DEX Universe Bond Total Return Index**	2.5	2.2	4.7	5.8	6.2	6.0	6.5	—
Median Canadian Bond Fund**	1.9	1.6	3.5	5.0	4.9	4.6	4.8	—

*September 1989

**Source: Globe Information Services

An investment in the Tradex Bond Fund increased in value by 2.3% during the second quarter while it has increased by 3.5% over the past year.

The big news for Tradex Bond Fund investors during the period was the realignment of the Fund's investment

portfolio following the April 27th Special Meeting at which unitholders approved allocating a portion of the Fund's assets into equities. Within a few days following the meeting, portfolio manager Foyston, Gordon & Payne (FGP) had completed the major adjustments to the portfolio, with minor further changes being made during May and



June. At quarter-end the overall portfolio allocation was as follows:

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

During the quarter the continued economic malaise in the U.S. combined with ongoing fiscal problems in southern Europe and central bank monetary tightening in the emerging markets placed downward pressure on global economic growth. In this environment both the Bank of Canada and the U.S. Federal Reserve left their overnight policy interest rate unchanged and yields on Government of Canada bonds decline in the range of 20-45 basis points, as shown in the following table:

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

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

Since becoming the Fund's portfolio manager in March, FGP has structured the portfolio to benefit from what they believe will be an economic slowdown. The Fund's duration (a measure of portfolio term to maturity and sensitivity to interest rate changes) has been maintained at 0.5 years longer than the DEX Bond Universe Index given that FGP expects inflation to remain subdued after near term food and energy price increases have subsided. At the same time, the economic and inflation outlook continues to be constantly monitored for any change in trend. The Fund remains concentrated in good quality securities which FGP believe are attractively priced in today's market.

Tradex Global Equity Fund – Quarterly Review – June 30, 2011

	Total return (%)			Average annual compound return (%)				
	Latest 3 months	Latest 6 months	1 year	2 years	3 years	5 years	10 years	Since inception*
Tradex Global Equity Fund	0.8	3.4	22.1	13.0	-0.3	-0.4	2.0	2.8
MSCI World Total Return Index (\$Cdn)**	-0.1	2.4	19.3	9.8	-0.8	-0.1	-0.1	—
Median Canadian Global Equity Fund**	-0.7	0.7	16.8	9.9	-1.3	-0.5	-0.5	—

*May 1999

**Source: Globe Information Services

During the second quarter, the value of each unit of Tradex Global Equity Fund increased by 0.8% while it has increased by 22.1% over the past year.

The Fund's benchmark, the MSCI World Total Return Equity Index, was little changed over the second quarter as gains in most markets in April were erased following disappointing economic data releases in May and June. Following the earthquake, tsunami and nuclear disaster in Japan the country's economy contracted sharply and this has had ripple effects in the global supply chain. Consequently, many nations reported slowing industrial activity causing investor concerns about the strength of global growth and the possibility of earnings disappointments. Adding to the market's distress was the continuing turmoil in Europe where political leaders struggle to come to grips with government deficits and the possibility of sovereign debt defaults.

The performance of key equity markets was fairly widely dispersed over the period. In terms of local currencies, the German DAX Index posted a solid gain of 4.8%, while London's FTSE 100 Index was up 0.6%. On the negative side, the Swiss market Index was down 2.6% while the Paris CAC Index was essentially unchanged. In Asia, Japan's Nikkei 225 Index moved 0.6% higher while Hong Kong's Hang Seng Index was down 4.8% and the commodity-heavy

Australian Index declined 5.5%. In North America, the U.S. S&P 500 Index closed the quarter down a very modest 0.4% while the S&P/TSX Composite Index was down 5.8%.

The performance of the Canadian dollar was mixed over the period. It closed slightly stronger versus the U.S. dollar and the British Pound but weaker versus the Euro and the Japanese yen.

There was very little movement in the Fund's overall portfolio weighting among regions during the quarter. At quarter-end 42% of the portfolio value was invested in the U.S. (versus 45%) at the start of the year, 29% in Europe (versus 27%) and 20% in Asia (versus 21%). Total exposure to emerging markets was also essentially unchanged, at about 11%, while cash represented 2% of the total portfolio value at the end of the quarter.

Portfolio Manager City of London Investment Management's (CLIM) market outlook remained relatively unchanged over the period. While acknowledging that the weakness in economic data has likely delayed any normalization of monetary policy in the developed world, CLIM continue to believe that global economic conditions are supportive of rising equity markets and are maintaining a geographical bias in favour of Japan and emerging markets at the expense of weightings toward the Eurozone and the United States.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus before investing. The rates of return include reinvestment of all distributions and do not take into account any sales, redemption, distribution or optional charges or income taxes payable by an investor that could have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.



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Two Good Deeds!

Refer a new member and they will benefit from access to all of our outstanding products and services! Not only that but in celebration of 20 years of PH&N (now part of RBC Global Asset Management) as Tradex Equity Fund Portfolio Manager we will donate \$20 to the United Way to benefit your community.



United Way

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New Member's Signature

Note to Members: Additional copies of this form for additional referrals are available by phoning us at 613-233-3394 or at www.tradex.ca.

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