

2008

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

Tradex BOND Fund

December 31, 2008

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

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

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TRADEX BOND FUND STATEMENT OF MANAGEMENT'S RESPONSIBILITY

To our unitholders,

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

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

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

R.C. White
President and Chief Executive Officer
Tradex Management Inc.

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

March 19, 2009



ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the year ended December 31, 2008

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment objectives and strategies

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

The overall strategy is to construct the portfolio using computerized optimization techniques to enhance returns and control risk. Risk is reduced through investment in Government of Canada bonds and provincial government bonds. Corporate bonds with a credit rating of single A or better are also included in the portfolio up to a limit of 40 percent of the total value of the investment portfolio. TD Asset Management Inc., Toronto is the portfolio manager.

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

Risk

All mutual funds involve some level of risk. Simply put, risk is the possibility you will lose money or not make money on your investment. As you consider an investment in a mutual fund, consider not just what you hope to gain on the upside, but also what you're prepared to risk on the downside. The value of the units in a mutual fund is directly related to the market value of each fund's investments. Therefore, the value of the units goes up or down depending upon various factors.

Mutual funds that invest in bonds will be affected primarily by the general movement in interest rates and the credit rating of the issuers of the investments. An increase in interest rates will generally cause the value of bonds to decline; conversely, a decrease in interest rates will generally cause the value of those securities to increase. Also, as the term to maturity of the bonds in a portfolio lengthens, the variability of interest rates generally increases, along with bond prices.

Government of Canada bonds have minimal credit risk. They are also easily bought and sold, reducing any liquidity risk. Provincial government bonds are guaranteed by the issuing province and are also easily bought and sold, thus further reducing any liquidity risk. Corporate bonds with a single A credit rating provide substantial protection of interest and principal, with corporate bonds having a higher rating offering even better protection. To avoid currency risk, only bonds denominated in Canadian currency will be in the Fund's portfolio.

The Fund is suitable for those prepared to accept some fluctuation in unit values in return for potentially higher income than money market mutual funds. They may be looking to balance their equity investments with fixed income, or require regular quarterly income.

The Fund is not appropriate for an investor with an investment horizon of less than two years.

Results of Operations

This was an extremely volatile year for all financial markets, including the bond market, as the turbulence that began in mid-2007 escalated into an unprecedented crisis of confidence that reached a crescendo in late 2008.

In response to the deterioration in both credit markets and the real economy as the year progressed, central banks took unprecedented policy actions to ease credit conditions and stabilize the banking system. During the year, the Bank of Canada lowered its policy overnight interest rate by a total of 275 basis points to 1.50% at year-end, the lowest level since 1958. Meanwhile, the U.S. Federal Reserve lowered its policy rate by 425 basis points to a target range of zero to 0.25%. In addition, central banks (and governments) around the world took various other policy actions including buying mortgages and mortgage-backed securities from financial institutions, providing liquidity through special purchase and resale agreements, and "bailing out" or taking control of a number of the largest financial institutions in the world.

In this environment of unprecedented uncertainty and monetary policy easing, yields on Government of Canada bonds declined dramatically to record lows during the fourth quarter. For example, prior to the fourth quarter, the record low yield on 5-year Government of Canada bonds was 2.74%, fully 105 basis points higher than the year-end close of 1.69%. Similarly, prior to the fourth quarter, the record low yield for 10-year Government of Canada bonds was 3.37% versus the year-end close of 2.69%. The following table shows the change in Government of Canada bond yields for the year.

| Term to Maturity | Yield Dec. 31, 2007 | Yield June 30, 2008 | Yield Dec. 31, 2008 |
|------------------|---------------------|---------------------|---------------------|
| 2 years | 3.74% | 3.24% | 1.09% |
| 3 years | 3.82% | 3.37% | 1.32% |
| 5 years | 3.87% | 3.45% | 1.69% |
| 10 years | 3.99% | 3.74% | 2.69% |
| 30 years | 4.10% | 4.08% | 3.45% |

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

However, while yields on Government of Canada bonds moved sharply lower during the second half of 2008 due to the tremendous uncertainty, interest rate spreads between corporate bonds and government bonds widened dramatically. For example, at year-end the yield on 5-year investment-grade Canadian corporate bonds was in the neighbourhood of 375 basis points higher than the yield on 5-year Government of Canada bonds. This compares to an interest rate spread of about 50 basis points at the start of the year. Thus, government bonds outperformed corporate bonds by a very wide margin in 2008.

The trend in Tradex Bond Fund's overall portfolio allocation during 2008 is shown in the following table:

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

| | Dec. 31, 2007 | June 30, 2008 | Dec. 31, 2008 |
|----------------------|---------------|---------------|---------------|
| Government of Canada | 32% | 28% | 46% |
| Provincial/municipal | 29% | 35% | 32% |
| Sovereign debt* | 10% | 9% | – |
| Corporate bonds | 29% | 31% | 22% |
| Total | 100% | 100% | 100% |

*Bonds guaranteed by the Government of Germany with a triple A credit rating.

At the start of the year, 32% of the Fund's total portfolio value was invested in bonds issued or guaranteed by the Government of Canada, which is near the mid-point of the normal target range. During the second quarter, as interest rate spreads stabilized and showed signs of tightening, portfolio manager TD Asset Management's "risk/reward models" showed a preference for other issues and, accordingly, the allocation to Government of Canada issues was reduced to 28%. However, during the second half of the year, as the turmoil in credit markets intensified and credit spreads widened dramatically, TD Asset Management increased the allocation to Government of Canada bonds to 46%, which is above the normal weighting for federal government

bonds. On the other hand, the allocation to corporate issues was reduced to only 22% of the portfolio value and the sovereign debt portion was reduced to zero. Looking ahead, it is anticipated that the allocation to Government of Canada bonds will be reduced to closer to its normal range once confidence returns to the market and there are clear signs of a sustained narrowing of credit spreads.

Over the year, the return per unit was 5.5%, which placed the Fund in the first quartile among Canadian bond funds for the year. This strong performance was due primarily to the fact that the Fund held a relatively high proportion of government bonds throughout the year (and particularly at year-end) versus its peers.

Quarterly distributions totaled 36.1 cents per unit during 2008. The duration of the portfolio (a measure of portfolio term to maturity and sensitivity to interest rate changes) at year-end was 6.2 years, which is equal to the duration for the DEX Universe Bond Index. The weighted average term to maturity of the portfolio was 8.3 years at year-end.

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

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|-----------|-----------|
| Net asset per unit, beginning of year | \$ 9.99 | \$ 10.15 | \$ 10.31 | \$ 10.22 | \$ 10.10 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | \$ 0.47 | \$ 0.52 | \$ 0.55 | \$ 0.55 | \$ 0.58 |
| Total expenses | \$ (0.12) | \$ (0.11) | \$ (0.12) | \$ (0.13) | \$ (0.14) |
| Realized gains (losses) for the year | \$ 0.04 | \$ (0.14) | \$ (0.04) | \$ 0.17 | \$ 0.06 |
| Unrealized gains (losses) for the year | \$ 0.14 | \$ (0.02) | \$ (0.12) | \$ (0.07) | \$ 0.06 |
| Total increase from operations (2) | \$ 0.53 | \$ 0.25 | \$ 0.27 | \$ 0.52 | \$ 0.56 |
| Distributions: | | | | | |
| From investment income | \$ 0.36 | \$ 0.42 | \$ 0.43 | \$ 0.43 | \$ 0.45 |
| Total Annual Distributions (3) | \$ 0.36 | \$ 0.42 | \$ 0.43 | \$ 0.43 | \$ 0.45 |
| Net assets per unit, end of year | \$ 10.17 | \$ 9.99 | \$ 10.15 | \$ 10.31 | \$ 10.22 |

(1) This information is derived from the Fund's audited annual financial statements.

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

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

| Ratios and Supplemental Data | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|----------|----------|-----------|-----------|-----------|
| Total net asset value, end of year (000's) | \$ 9,492 | \$ 9,880 | \$ 10,416 | \$ 10,990 | \$ 11,596 |
| Weighted average net asset value (000's) | \$ 9,595 | \$ 9,922 | \$ 10,541 | \$ 11,262 | \$ 11,780 |
| Number of units outstanding, end of year (000's) | 934 | 989 | 1,026 | 1,066 | 1,135 |
| Management expense ratio (1) | 1.18% | 1.07% | 1.22% | 1.28% | 1.42% |
| Management expense ratio before waivers or absorptions (1) | 1.60% | 1.57% | 1.64% | 1.58% | 1.58% |
| Portfolio turnover rate (2) | 53.19% | 84.36% | 42.32% | 109.37% | 245.60% |
| Net asset value per unit, end of year | \$ 10.17 | \$ 9.99 | \$ 10.15 | \$ 10.31 | \$ 10.22 |

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

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

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

The Fund's Management Expense Ratio (MER) increased to 1.18% in 2008 from 1.07% in 2007 (but lower than the 1.22% in 2006). This is well below the average expense ratio for Canadian bond funds (the Globe and Mail reports that the average MER for Canadian bond funds is 1.65%). There was a slight decrease in the number of units outstanding during the year and, as a result, at year-end the net asset value of the Fund stood at \$9.5 million compared to \$9.9 million at the end of 2007.

Management Fees

As the Manager, Tradex Management Inc. is responsible for directing the business, operations and affairs of the Fund. It performs this duty for an annual fee of 0.6% of the Fund's net asset value, calculated and accruing daily. This amounted to \$60,508 in 2008 (including GST) and represents slightly less than 40% of the total expenses paid by the Fund. Many of the functions involved in operating the Fund are contracted out to leading professional firms in the mutual fund industry in Canada. Therefore, one of the key duties of the Manager is to negotiate and manage these contracts. Tradex Management Inc. is also the principal distributor of the Fund and, as such, is responsible for most of the communications with the Fund's unitholders and potential unitholders. Tradex Management Inc. receives no additional fees or commissions for being the Fund's

principal distributor and pays a trailer fee of 0.3% from its management fee to other mutual fund dealers who distribute the Fund.

Since Tradex Management Inc. operates on an "at cost" basis for the benefit of its investors, when financial conditions permit, it voluntarily rebates and/or waives a portion of the management fees paid to it by the Fund. These rebates/waivers reduce the expenses for the Fund, which in turn, reduce its management expense ratio. In 2008, \$40,260 in expenses were reduced for the Fund through such transactions.

Other Expenses

The other expenses incurred by the Fund amounted to \$93,004 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to TD Asset Management Inc.), administrative fees paid for fund accounting, the registrar function and other related activities (paid to Citigroup Fund Services Canada Inc., FundSERV Inc., The Canada Trust Company and various others suppliers), audit fees (paid to PricewaterhouseCoopers LLP), custodian fees (paid to CIBC Mellon Trust Company) and registration fees and expenses paid to the 13 securities regulatory authorities in Canada. A listing of the various expenses paid by the Fund appears in the audited Statement of Operations on page 8.

III. PAST PERFORMANCE

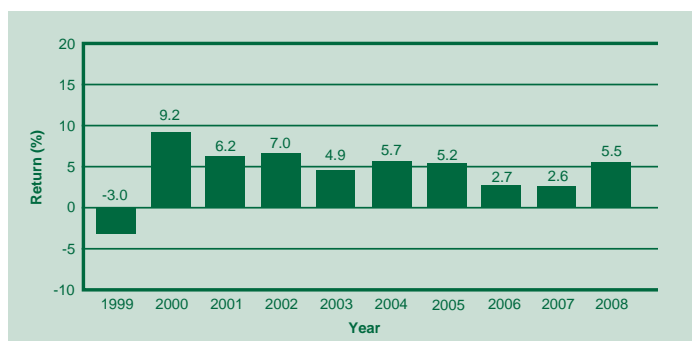
The past performance of the Fund is set out in the Year-by-Year Returns and Annual Compound Returns chart and table. All performance returns:

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

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

Year-by-Year Returns

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



Annual Compound Returns

The following table shows the Fund's annual compound total return for the periods indicated, as of December 31, 2008, compared to the DEX Universe Bond Total Return Index (formerly the Scotia Capital Markets Universe Bond Total Return Index).

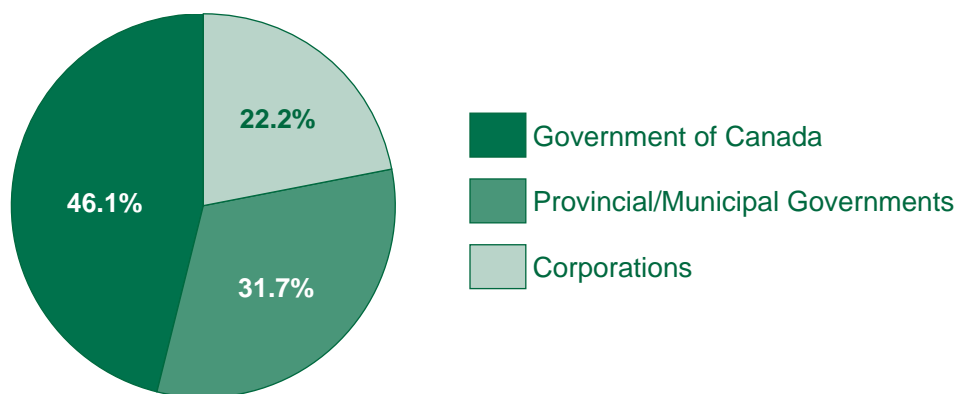
| | Past 10 years | Past 5 years | Past 3 years | Past year |
|--------------------------------------|---------------|--------------|--------------|-----------|
| Tradex Bond Fund | 4.5% | 4.3% | 3.6% | 5.5% |
| DEX Universe Bond Total Return Index | 6.0% | 5.5% | 4.7% | 6.4% |

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

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at December 31, 2008 broken down by the category of issuer is as follows:



The following investments represent the 25 largest holdings of the Fund as of December 31, 2008 shown as a percentage of the Fund's net asset value. The list is of interest only as of the date indicated, as the percentages may have changed, and some or all of the holdings may have been sold and new positions purchased. A quarterly update is available as discussed on the cover page of this document.

| | | | |
|---|-------|--|--------|
| Farm Credit Canada, 4.55%, April 12, 2021 | 12.0% | Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037 | 2.3% |
| Government of Canada, 5.00%, June 1, 2014 | 9.9% | Province of British Columbia, 5.60%, June 1, 2018 | 2.1% |
| Canada Mortgage and Housing, Corporation, 4.35%, February 1, 2017 | 5.8% | Province of Ontario, 4.75%, June 2, 2013 | 1.7% |
| OMERS Realty Corporation, 5.48%, December 31, 2012 | 5.1% | Government of Canada, 4.25%, June 1, 2018 | 1.5% |
| Alberta Capital Finance Authority, 4.65%, June 15, 2017 | 5.1% | Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012 | 1.5% |
| Canada Housing Trust, 4.00%, June 15, 2012 | 4.9% | City of Toronto, 4.95%, June 27, 2018 | 1.4% |
| Province of British Columbia, 4.70%, December 1, 2017 | 4.3% | Canada Housing Trust, 4.55%, December 15, 2012 | 1.4% |
| Sun Life Financial Inc., 5.12%, June 26, 2018 | 4.0% | Canada Housing Trust, 3.95%, June 15, 2013 | 1.2% |
| Manulife Financial Corporation, 5.161%, June 26, 2015 | 3.9% | Business Development Bank of Canada, 4.35%, February 28, 2022 | 1.1% |
| Alberta Capital Finance Authority, 4.35%, June 15, 2016 | 3.9% | Royal Bank of Canada, 5.95%, June 18, 2014 | 1.1% |
| Province of Saskatchewan, 5.25%, December 3, 2012 | 3.7% | Hydro-Quebec, 5.00%, February 15, 2045 | 1.1% |
| Alberta Treasury Branch, 3.85%, June 3, 2013 | 3.4% | Sub-total – largest 25 holdings | 88.1% |
| Government of Canada, 4.25%, September 1, 2009 | 2.9% | Remaining holdings | 11.9% |
| Farm Credit Canada, 4.60%, June 1, 2021 | 2.8% | Total Net Asset Value | 100.0% |

AUDITORS' REPORT TO THE UNITHOLDERS



March 19, 2009

To the Unitholders of Tradex Bond Fund

We have audited the statement of investment portfolio of Tradex Bond Fund as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007 and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Tradex Bond Fund as at December 31, 2008 and 2007 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*

| | 2008 | 2007 |
|---|---------------------|---------------------|
| Assets | | |
| Investments, at fair value * | \$ 9,417,980 | \$ 9,812,094 |
| Cash and short-term investments | 28,949 | 3,703 |
| Subscriptions receivable | 806 | — |
| Accrued interest | 75,546 | 95,594 |
| | 9,523,281 | 9,911,391 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 25,375 | 26,103 |
| Redemptions payable | 5,494 | 5,725 |
| | 30,869 | 31,828 |
| Net assets, representing unitholders' equity | \$ 9,492,412 | \$ 9,879,563 |
| Units issued and outstanding, end of year <i>(Note 6)</i> | \$ 933,645 | 989,018 |
| Net assets per unit <i>(Note 2)</i> | \$ 10.17 | \$ 9.99 |
| | \$ 9,214,064 | \$ 9,738,124 |

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

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



Andrew Campbell
Director



Karin Zabel
Director

STATEMENTS OF OPERATIONS *Year ended December 31*

| | 2008 | 2007 |
|--|-------------------|-------------------|
| Investment Income | | |
| Revenue | | |
| Interest | \$ 452,156 | \$ 513,518 |
| | 452,156 | 513,518 |
| Expenses <i>(Note 5)</i> | | |
| Management fees | 60,508 | 63,476 |
| Investment advisory fees | 26,003 | 26,500 |
| Administration costs | 35,981 | 35,859 |
| Independent Review Committee | 22 | 18 |
| Audit fees | 12,501 | 11,999 |
| Custodian fees | 4,002 | 3,998 |
| Registration fees and expenses | 14,495 | 14,441 |
| Expense reductions <i>(Note 5)</i> | (40,260) | (49,820) |
| | 113,252 | 106,471 |
| Net investment income | 338,904 | 407,047 |
| Realized and unrealized gain (loss) on investments | | |
| Net realized gain (loss) on sale of investments | 41,508 | (143,208) |
| Change in unrealized appreciation (depreciation) on investments | 129,946 | (19,057) |
| Net gain (loss) on investments | 171,454 | (162,265) |
| Increase in net assets from operations | \$ 510,358 | \$ 244,782 |
| Increase per unit in net assets from operations <i>(Note 2)</i> | \$ 0.53 | \$ 0.25 |

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

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

| | 2008 | 2007 |
|---|--------------|---------------|
| Net assets, beginning of year | \$ 9,879,563 | \$ 10,415,639 |
| Add (deduct) | | |
| Operations | | |
| Increase in net assets from operations | 510,358 | 244,782 |
| Distributions | | |
| Distributions to unitholders from investment income | (341,821) | (409,078) |
| | 168,537 | (164,296) |
| Units | | |
| Proceeds from issue of units | 295,239 | 722,843 |
| Reinvestment of distributions | 340,431 | 407,695 |
| Consideration paid for redemptions of units | (1,191,358) | (1,502,318) |
| | (555,688) | (371,780) |
| Net assets, end of year | \$ 9,492,412 | \$ 9,879,563 |

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

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2008*

| Bonds | Par value | Average cost | Fair value | % of total Fair value |
|--|------------|---------------------|---------------------|-----------------------|
| Federal | | | | |
| Business Development Bank of Canada, 4.35%, February 28, 2022 | \$ 100,000 | \$ 96,760 | \$ 106,297 | |
| Canada Housing Trust, 4.00%, June 15, 2012 | 437,000 | 443,203 | 465,103 | |
| Canada Housing Trust, 4.55%, December 15, 2012 | 120,000 | 124,921 | 130,753 | |
| Canada Housing Trust, 3.95%, June 15, 2013 | 110,000 | 109,879 | 117,819 | |
| Canada Housing Trust, 2.70%, December 15, 2013 | 35,000 | 35,431 | 35,526 | |
| Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012 | 129,000 | 137,733 | 144,154 | |
| Canada Mortgage & Housing Corporation, 4.35%, February 1, 2017 | 507,000 | 496,303 | 550,440 | |
| Government of Canada, 4.25%, September 1, 2009 | 265,000 | 269,888 | 270,870 | |
| Government of Canada, 5.00%, June 1, 2014 | 813,000 | 922,755 | 940,487 | |
| Government of Canada, 4.25%, June 1, 2018 | 130,000 | 142,025 | 146,813 | |
| Government of Canada, 5.00%, June 1, 2037 | 20,000 | 24,280 | 25,568 | |
| Farm Credit Canada, 4.55%, April 12, 2021 | 1,057,000 | 1,051,024 | 1,141,420 | |
| Farm Credit Canada, 4.60%, June 1, 2021 | 242,000 | 241,980 | 262,222 | |
| | | 4,096,182 | 4,337,472 | 46.1 |
| Provincial/Municipal | | | | |
| Alberta Capital Finance Authority, 4.35%, June 15, 2016 | 355,000 | 350,713 | 366,385 | |
| Alberta Capital Finance Authority, 4.65%, June 15, 2017 | 462,000 | 461,173 | 482,550 | |
| Alberta Treasury Branch, 3.85%, June 3, 2013 | 313,000 | 311,372 | 325,864 | |
| City of Toronto, 4.95%, June 27, 2018 | 130,000 | 129,605 | 132,939 | |
| Hydro-Quebec, 6.50%, February 15, 2035 | 74,000 | 86,862 | 89,932 | |
| Hydro-Quebec, 5.00%, February 15, 2045 | 100,000 | 104,342 | 101,442 | |
| Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037 | 232,000 | 227,627 | 218,676 | |
| Province of British Columbia, 4.70%, December 1, 2017 | 392,000 | 401,407 | 411,714 | |
| Province of British Columbia, 5.60%, June 1, 2018 | 180,000 | 198,144 | 200,054 | |
| Province of British Columbia, 5.70%, June 18, 2029 | 24,000 | 27,538 | 26,787 | |
| Province of British Columbia, 5.40%, June 18, 2035 | 90,000 | 97,176 | 99,116 | |
| Province of British Columbia, 4.70%, June 18, 2037 | 20,000 | 19,794 | 20,081 | |
| Province of Ontario, 4.75%, June 2, 2013 | 150,000 | 154,497 | 161,456 | |
| Province of Quebec, 6.25%, June 1, 2032 | 1,000 | 1,053 | 1,160 | |
| Province of Saskatchewan, 5.25%, December 3, 2012 | 320,000 | 338,538 | 350,573 | |
| | | 2,909,841 | 2,988,729 | 31.7 |
| Corporate | | | | |
| Bank of Montreal, 7.00%, January 28, 2010 | 13,000 | 13,982 | 13,465 | |
| Bank of Montreal, Variable rate, April 21, 2021 | 5,000 | 5,000 | 4,430 | |
| Bank of Nova Scotia, 5.00%, September 13, 2010 | 70,000 | 70,014 | 71,869 | |
| BMO Capital Trust, Conv., 6.647%, December 31, 2010 | 100,000 | 109,100 | 97,891 | |
| BMO Capital Trust, 6.685%, December 31, 2011 | 23,000 | 25,767 | 22,188 | |
| BMO Capital Trust, 6.903%, December 29, 2049 | 50,000 | 51,925 | 49,445 | |
| Borealis Energy Source, 6.27%, May 3, 2011 | 4,000 | 4,380 | 4,215 | |
| Canada Life Capital Trust, 7.529%, June 30, 2032 | 5,000 | 5,153 | 3,770 | |
| Canadian Imperial Bank of Commerce, 4.25%, June 1, 2014 | 27,000 | 26,944 | 26,949 | |
| Clarica Life Insurance Company, 6.65%, October 12, 2015 | 13,000 | 14,203 | 13,291 | |
| GE Capital Can Funding, 5.73%, October 22, 2037 | 44,000 | 44,234 | 33,631 | |
| Greater Toronto Airports Authority, 7.10%, June 4, 2031 | 50,000 | 50,590 | 48,960 | |
| Household Financial Corporation Limited, 4.20%, April 13, 2009 | 12,000 | 11,856 | 11,970 | |
| HSBC Canada Asset Trust, 7.78%, December 31, 2010 | 55,000 | 59,758 | 57,641 | |
| IGM Financial Inc., 7.45%, May 9, 2031 | 10,000 | 10,180 | 9,450 | |
| Kommunalbanken AS, 4.75%, March 17, 2017 | 27,000 | 27,351 | 28,568 | |
| Manulife Financial Capital Trust, 6.70%, June 30, 2012 | 28,000 | 28,189 | 26,787 | |
| Manulife Financial Corporation, 5.161%, June 26, 2015 | 400,000 | 400,000 | 373,680 | |
| Omers Realty Corporation, 5.48%, December 31, 2012 | 460,000 | 477,322 | 485,479 | |
| Royal Bank of Canada, 5.95%, June 18, 2014 | 112,000 | 119,664 | 102,088 | |
| Scotia Bank Capital Trust II, 6.282%, December 29, 2049 | 22,000 | 23,883 | 20,796 | |
| Scotia Bank Capital Trust, 6.626%, June 30, 2052 | 41,000 | 41,160 | 39,842 | |
| Sun Life Cap Trust, 6.865%, December 2011 | 92,000 | 98,483 | 89,018 | |
| Sun Life Financial Inc., 5.12%, June 26, 2018 | 400,000 | 399,876 | 378,328 | |
| Teranet Inc., 5.039%, August 16, 2016 | 5,000 | 4,878 | 5,515 | |
| TransCanada PipeLines Limited, 8.29%, February 5, 2026 | 41,000 | 54,245 | 42,391 | |
| Wells Fargo Financial Canada, 4.75%, June 29, 2009 | 30,000 | 29,904 | 30,122 | |
| | | 2,208,041 | 2,091,779 | 22.2 |
| Total bonds | | 9,214,064 | 9,417,980 | 100.0 |
| Total portfolio of investments | | \$ 9,214,064 | \$ 9,417,980 | 100.0 |

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

1. Background

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

2. Summary of significant accounting policies

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

Adoption of new accounting policies – Financial Instruments Disclosure and Presentation

As at January 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation”. The new standards replace Section 3861, “Financial Instruments – Disclosure and Presentation”. The new disclosure standards increase the emphasis on the disclosure of risks associated with financial instruments and how those risks are managed. The previous requirements related to presentation of financial instruments have been carried forward unchanged. The detailed risks of investing in the Fund are disclosed in the Fund’s Simplified Prospectus. Refer to Note 3 for disclosure relating to adoption of the new requirements.

CICA Handbook Section 1535 – Capital Disclosure

Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed. The disclosure requirements pertaining to Section 1535 are contained in Note 6.

Investments

Investments are recorded at the closing bid price (“fair value”) provided by independent security pricing services. The difference between the fair value of investments and the cost of the investments is included in unrealized appreciation (depreciation) on investments in the Statement of Operations.

Accounting estimates

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

Investment transactions, investment income, expenses and distributions

Investment transactions are recorded on the trade date. Realized gains or losses on security transactions and the unrealized appreciation/depreciation of investments are determined on an average cost basis. Interest income and estimated expenses are accrued daily.

Net assets per unit

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

increase (decrease) in net assets from operations for the year divided by the weighted average number of units outstanding over the year.

3. Management of financial risk

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

Tradex Bond Fund’s investment objective is to achieve a combination of interest income and long-term capital preservation by investing in a diversified portfolio of Government of Canada, provincial government, municipal government and investment grade corporate bonds. The portfolio is constructed using computerized optimization techniques to enhance returns and control risk. Risk is reduced through investment in Government of Canada bonds and provincial government bonds. Corporate bonds with a credit rating of single A or better are also included in the portfolio up to a limit of 40 percent of the total value of the investment portfolio. No part of the portfolio will be invested in foreign bonds (i.e., bonds issued in a jurisdiction other than Canada) or in derivatives. To avoid risks related to variations in the value of the Canadian dollar, only bonds denominated in Canadian currency will be in the portfolio.

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

(a) Currency risk

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

(b) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. As at December 31, 2008 the Fund’s credit risk exposure grouped by credit ratings is listed in the following table:

| Credit Rating | As a Percentage of Net Assets |
|---------------|-------------------------------|
| AAA | 72.3% |
| AA | 16.1% |
| A | 11.6% |
| Total | 100.0% |

(c) Interest rate risk

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

As at December 31, 2008, the Fund's exposure to debt instruments by maturity was as follows:

| Maturity Date | As a Percentage of Net Assets |
|-----------------------|-------------------------------|
| Less than 3 year | 8.1% |
| 3-5 years | 28.5% |
| 5-10 years | 39.8% |
| Greater than 10 years | 23.6% |

As at December 31, 2008, if the prevailing interest rates had been raised or lowered by 0.25%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately 1.55% (approximately \$148,000). The Fund's interest rate sensitivity was based, portfolio weighted, on duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(d) Liquidity risk

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

(e) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk, credit risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. The Fund's significant market risk exposures have been discussed in previous sections. The Fund did not have any significant other market risk that the Manager is aware of.

4. Taxes

Goods and services tax (GST) is included in the expense items charged to the Fund.

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

As at December 31, 2008, the Fund had no non-capital losses and \$1,007,782 in capital losses carried forward for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains.

5. 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 2008, \$40,260 in expenses were reduced for the Fund through such transactions (\$49,820 in 2007).

6. Units capitalization

The capital of the Fund is represented by issued redeemable units that have no par value. They are entitled to distributions, if any, and to payment of a proportionate amount based on the Fund's net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. In accordance with the investment objectives and strategies, and risk management practices outlined in Note 3, the Fund endeavors 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:

| | 2008 | 2007 |
|--------------------------------|-----------|-----------|
| Outstanding, beginning of year | 989,018 | 1,026,176 |
| Issued | 63,457 | 113,708 |
| Redeemed | (118,830) | (150,866) |
| Outstanding, end of year | 933,645 | 989,018 |

7. Future Accounting Change

The Canadian Accounting Standards Board (AcSB) has confirmed its plan to adopt all International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board, on or by January 1, 2011. The Fund will adopt all of the International Financial Reporting Standards in accordance with the AcSB's plan. The Manager has presently determined that there will be no impact to net asset value per unit as a result of the changeover to IFRS.

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