

2009

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

Tradex BOND Fund

June 30, 2009

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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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

for the six months ending June 30, 2009

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

An investment in the Tradex Bond Fund increased in value by 1.4% during the first half of 2009 while it has increased by 5.4% over the past year.

During the first half of 2009 central banks around the world continued to take strong policy actions to ease credit conditions and stabilize banking systems in light of the crisis in financial markets and the further deterioration in the global economy. During this period, the Bank of Canada lowered its policy overnight interest rate by a total of 125 basis points to 0.25%, a level that the Bank judges to be the effective lower bound for this rate. Furthermore, it took the unprecedented step of stating, conditional on the inflation outlook, that it was committed to holding the policy rate at this level until the end of the second quarter of 2010. Meanwhile, the U.S. Federal Reserve, which had lowered its policy rate by 175 basis points during the fourth quarter of 2008, maintained its target policy rate at the unprecedented range of zero to 0.25% and indicated that it would likely keep this rate at exceptionally low levels for an extended period.

In this environment of tremendous uncertainty, yields on Government of Canada bonds reached record lows in mid-January. While yields rebounded by 15-25 basis points through the remainder of the quarter, they remained well below previous historical record low levels. For example, prior to the fourth quarter of 2008 the record low yield for 5-year Government of Canada bonds was 2.74%, fully 99 basis points higher than the March 31, 2009 close of 1.75%. Similarly, prior to the fourth quarter of 2008 the record low yield for 10-year Government of Canada bonds was 3.37%, 58 basis points higher than the March 31, 2009 close of 2.79%. During the second quarter there was some increase in yields on federal government bonds as confidence in credit markets (as opposed to the short-term outlook for the real economy) improved, thus reducing the “flight to quality” appetite for these bonds. However, yields remained at extremely low levels by historical standards. The following table shows the recent movement in yields on Government of Canada bonds.

Term to Maturity	Dec. 31, 2007	Dec. 31, 2008	Mar.31, 2009	June 30, 2009
2 years	3.74%	1.09%	1.07%	1.20%
3 years	3.82%	1.32%	1.35%	1.84%
5 years	3.87%	1.69%	1.75%	2.46%
10 years	3.99%	2.69%	2.79%	3.36%
30 years	4.10%	3.45%	3.57%	3.86%

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

Interest rate spreads between government bonds and corporate bonds (credit spreads), which had been at near-panic highs at the end of 2008, began to narrow in the first quarter. As the review period progressed, credit spreads moved sharply lower reflecting the improving tone in credit markets. Nevertheless, at

the end of the period they remained very high by historical standards indicating that there continued to be a high degree of caution in the bond market.

The Fund’s overall portfolio allocation at the end of each quarter during the review period is shown in the table below.

	Dec. 31, 2008	Mar. 31, 2009	June 30, 2009
Government of Canada	46%	45%	39%
Provincial/Municipal Governments	32%	36%	31%
Corporations	22%	19%	30%
Total	100%	100%	100%

In light of the turmoil in financial markets, in the second half of 2008 portfolio manager TD Asset Management increased the proportion of government bonds in the Fund’s portfolio to a total of 78%, which is above its normal weighting for government bonds (especially for bonds issued or guaranteed by the Government of Canada, which stood at 46% at the end of 2008). This position was essentially maintained during the first quarter, while during the second quarter the Fund’s overall allocation to government bonds was reduced to 70% as investor confidence increased and credit spreads narrowed. Correspondingly, during the second quarter the weighting to corporate bonds rated “single A” or higher was increased to 30% of the portfolio value compared to 22% at the start of the year and 19% at the start of the second quarter.

At the end of the first half of 2009, the portfolio consisted of 57 individual bond issues, including 33 corporate issues. The modified duration of the portfolio (a measure of portfolio term to maturity and sensitivity to interest rate changes) at the end of the period was 5.9 years compared to 6.1 years for the DEX Universe Index.

Quarterly distributions of 9.12 cents per unit and 7.67 cents per unit were made at the end of March and June, respectively. As at June 30, 2009, the net asset value of the Fund stood at \$9.6 million compared to \$9.5 million at the end of 2008.

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 \$30,341 in the first half of 2009 (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

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

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 the second half of 2008, \$40,260 in expenses were reduced for the Fund through such transactions. It is not possible to forecast if a rebate will be made in the second half of 2009.

Other Expenses

The other expenses incurred by the Fund in the first six months of 2009 amounted to \$46,402 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 other suppliers), audit fees (payable 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 Statement of Operations.

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 and one-half years.

The Fund's Net Assets per Unit (1)

For the six month period ending June 30, 2009 and the five annual periods ending December 31, 2008, 2007, 2006, 2005, 2004.

	2009	2008	2007	2006	2005	2004
Net asset per unit, beginning of period	\$ 10.17	\$ 9.99	\$ 10.15	\$ 10.31	\$ 10.22	\$ 10.10
Increase (decrease) from operations:						
Total revenue	\$ 0.23	\$ 0.47	\$ 0.52	\$ 0.55	\$ 0.55	\$ 0.58
Total expenses	\$ (0.08)	\$ (0.12)	\$ (0.11)	\$ (0.12)	\$ (0.13)	\$ (0.14)
Realized gains (losses) for the period	\$ (0.01)	\$ 0.04	\$ (0.14)	\$ (0.04)	\$ 0.17	\$ 0.06
Unrealized gains (losses) for the period	\$ 0.01	\$ 0.14	\$ (0.02)	\$ (0.12)	\$ (0.07)	\$ 0.06
Total increase from operations (2)	\$ 0.15	\$ 0.53	\$ 0.25	\$ 0.27	\$ 0.52	\$ 0.56
Distributions:						
From investment income	\$ 0.17	\$ 0.36	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.45
Total Distributions (3)	\$ 0.17	\$ 0.36	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.45
Net asset per unit, end of period	\$ 10.15	\$ 10.17	\$ 9.99	\$ 10.15	\$ 10.31	\$ 10.22

(1) The information for 2004-2008 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 period.

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

Ratios and Supplemental Data	2009	2008	2007	2006	2005	2004
Total net asset value, end of period (000's)	\$ 9,620	\$ 9,492	\$ 9,880	\$ 10,416	\$ 10,990	\$ 11,596
Weighted average net asset value (000's)	\$ 9,713	\$ 9,595	\$ 9,922	\$ 10,541	\$ 11,262	\$ 11,780
Number of units outstanding, end of period (000's)	948	934	989	1,026	1,066	1,135
Management expense ratio (1)	1.59%	1.18%	1.07%	1.22%	1.28%	1.42%
Management expense ratio before waivers or absorptions (1)	1.59%	1.60%	1.57%	1.64%	1.58%	1.58%
Portfolio turnover rate (2)	6.98%	53.19%	84.36%	42.32%	109.37%	245.60%
Net asset value per unit, end of period	\$ 10.15	\$ 10.17	\$ 9.99	\$ 10.15	\$ 10.31	\$ 10.22

(1) Management expense ratio is based on total expenses for the period and is expressed as an annualized percentage of daily average net asset value during the period. Any expense waivers or absorptions are made in the second half of the year. It is not possible to forecast whether expense waivers or absorptions will be made in the second half of 2009.

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

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

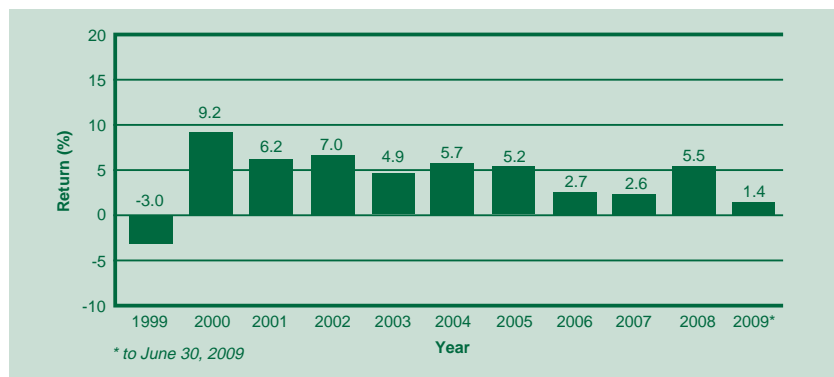
III. PAST PERFORMANCE

General

The Fund's past performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of income the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional units. The performance information does not take into account any sales, redemption or other optional charges that, if applicable, would reduce the returns or performance. Please remember, the Fund's performance in the past does not indicate how it will perform in the future.

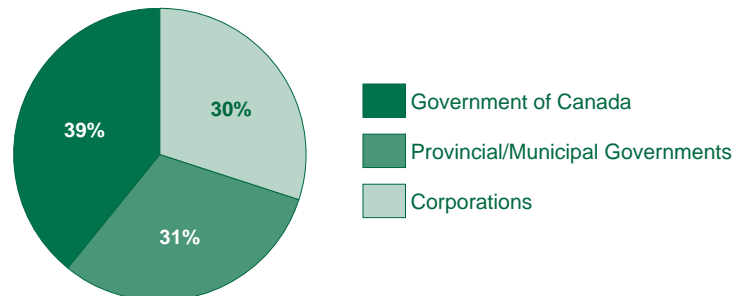
Year-by-year Returns

This chart shows the Fund's annual performance for each of the past ten years ending December 31, 2008 plus the performance for the six-month period ending June 30, 2009. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period and how the performance has varied from period to period.



IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the investment portfolio as at June 30, 2009 broken down by the category of issuer is indicated in the pie chart on the right.



The following investments represent the 25 largest holdings of the Fund as of June 30, 2009 shown as a percentage of the Fund's total investment portfolio. 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	11.3%	Province of British Columbia, 5.60%, June 1, 2018	2.1%
Government of Canada, 5.00%, June 1, 2014	6.9%	Hydro One Inc., 5.77%, November 15, 2012	1.7%
Canada Mortgage and Housing, Corporation, 4.35%, February 1, 2017	5.5%	Province of Ontario, 4.75%, June 2, 2013	1.5%
OMERS Realty Corporation, 5.48%, December 31, 2012	5.1%	Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012	1.5%
Alberta Capital Finance Authority, 4.65%, June 15, 2017	5.1%	City of Toronto, 4.95%, June 27, 2018	1.4%
Canada Housing Trust, 4.00%, June 15, 2012	4.8%	Canada Housing Trust, 4.55%, December 15, 2012	1.3%
Province of British Columbia, 4.70%, December 1, 2017	4.3%	Government of Canada, 4.25%, June 1, 2018	1.2%
Manulife Financial Corporation, 5.161%, June 26, 2015	4.3%	Royal Bank of Canada, 5.95%, June 18, 2014	1.2%
Sun Life Financial Inc., 5.12%, June 26, 2018	4.2%	Canada Housing Trust, 3.95%, June 15, 2013	1.2%
Alberta Capital Finance Authority, 4.35%, June 15, 2016	3.8%	GE Capital Canada Funding Company, 5.15%, June 6, 2013	1.2%
Province of Saskatchewan, 5.25%, December 3, 2012	3.6%	BMO Capital Trust, Conv., 6.647%, December 31, 2010	1.1%
Alberta Treasury Branches, 3.85%, June 3, 2013	3.4%	Sub-total – largest 25 holdings	82.5%
Farm Credit Canada, 4.60%, June 1, 2021	2.6%	Remaining holdings	17.5%
Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037	2.2%	Total Investment Portfolio	100.0%



INTERIM FINANCIAL STATEMENTS for the six months ending June 30, 2009

THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.

Tradex Management Inc., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2009.

STATEMENTS OF NET ASSETS *June 30, 2009 (Unaudited) and December 31, 2008*

	2009	2008
Assets		
Investments, at fair value *	\$ 9,542,445	\$ 9,417,980
Cash and short-term investments	115,066	28,949
Subscriptions receivable	3,575	806
Accrued interest	46,996	75,546
	9,708,082	9,523,281
Liabilities		
Accounts payable and accrued liabilities	88,264	25,375
Redemptions payable	—	5,494
	88,264	30,869
Net assets, representing unitholders' equity	\$ 9,619,818	\$ 9,492,412
Units issued and outstanding, end of period <i>(Note 6)</i>	948,231	933,645
Net assets per unit <i>(Note 2)</i>	\$ 10.15	\$ 10.17
* Investments at cost	\$ 9,341,603	\$ 9,214,064

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 *(Unaudited)*

	Six months ending June 30	
	2009	2008
Investment Income		
Revenue		
Interest	\$ 224,518	\$ 228,392
	224,518	228,392
Expenses <i>(Note 5)</i>		
Management fees	30,341	31,140
Investment advisory fees	11,873	12,432
Administration costs	19,228	17,404
Independent Review Committee	—	—
Audit fees	6,107	5,968
Custodian fees	1,828	1,989
Registration fees and expenses	7,366	7,458
Expense reductions <i>(Note 5)</i>	—	—
	76,743	76,391
Net investment income	147,775	152,001
Realized and unrealized gain (loss) on sale of investments		
Net realized loss on investments	(4,927)	(5,982)
Change in unrealized appreciation (depreciation) on investments	(3,074)	1,328
Net loss on investments	(8,001)	(4,654)
Increase in net assets from operations	\$ 139,774	\$ 147,347
Increase per unit in net assets from operations <i>(Note 2)</i>	\$ 0.15	\$ 0.15

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

STATEMENTS OF CHANGES IN NET ASSETS *(Unaudited)*

	Six months ending June 30	
	2009	2008
Net assets, beginning of period	\$ 9,492,412	\$ 9,879,563
Add (deduct)		
Operations		
Net increase (decrease) in net assets from operations	139,774	147,347
Distributions		
Distributions to unitholders from investment income	(160,216)	(166,460)
	(20,442)	(19,113)
Units		
Proceeds from issue of units	543,890	153,311
Reinvestment of distributions	86,990	89,431
Consideration paid for redemptions of units	(483,032)	(543,814)
	147,848	(301,072)
Net assets, end of period	\$ 9,619,818	\$ 9,559,378

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

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited)

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	\$ 100,644	
Canada Housing Trust, 4.00%, June 15, 2012	437,000	443,203	459,532	
Canada Housing Trust, 4.55%, December 15, 2012	120,000	124,921	128,446	
Canada Housing Trust, 3.95%, June 15, 2013	110,000	109,879	115,298	
Canada Housing Trust, 2.70%, December 15, 2013	35,000	35,431	34,915	
Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012	129,000	137,733	141,121	
Canada Mortgage & Housing Corporation, 4.35%, February 1, 2017	507,000	496,303	532,887	
Government of Canada, 5.00%, June 1, 2014	593,000	673,054	661,901	
Government of Canada, 4.25%, June 1, 2018	110,000	122,068	118,663	
Government of Canada, 5.00%, June 1, 2037	75,000	92,493	89,535	
Farm Credit Canada, 4.55%, April 12, 2021	1,057,000	1,051,027	1,088,730	
Farm Credit Canada, 4.60%, June 1, 2021	242,000	241,980	249,976	
		3,624,852	3,721,648	39.0
Provincial/Municipal				
Alberta Capital Finance, 4.35%, June 15, 2016	355,000	350,713	370,400	
Alberta Capital Finance, 4.65%, June 15, 2017	462,000	461,173	486,140	
Alberta Treasury Branch, 3.85%, June 3, 2013	313,000	311,372	325,698	
City of Toronto, 4.95%, June 27, 2018	130,000	129,605	134,173	
Hydro-Quebec, 6.50%, February 15, 2035	74,000	86,862	89,574	
Hydro-Quebec, 5.00%, February 15, 2045	100,000	104,342	101,333	
Ontario Infrastructure Projects, 4.70%, June 1, 2037	232,000	227,626	212,456	
Province of British Columbia, 4.70%, December 1, 2017	392,000	401,407	412,983	
Province of British Columbia, 5.60%, June 1, 2018	180,000	198,144	200,448	
Province of British Columbia, 5.70%, June 18, 2029	24,000	27,538	26,242	
Province of British Columbia, 5.40%, June 18, 2035	90,000	97,176	96,996	
Province of British Columbia, 4.70%, June 18, 2037	20,000	19,794	19,785	
Province of Ontario, 4.75%, June 2, 2013	150,000	154,497	160,647	
Province of Quebec, 6.25%, June 1, 2032	1,000	1,053	1,156	
Province of Saskatchewan, 5.25%, December 3, 2012	320,000	338,538	349,087	
		2,909,840	2,987,118	31.3
Corporate				
Bank of Montreal, 7.00%, January 28, 2010	13,000	13,982	13,436	
Bank of Montreal, 5.04%, September 4, 2012	75,000	79,400	79,484	
Bank of Montreal, 5.18%, June 10, 2015	20,000	21,596	21,052	
Bank of Montreal, Variable rate, April 21, 2021	75,000	75,014	76,247	
Bank of Nova Scotia, 5.00%, September 13, 2010	70,000	70,014	73,031	
Bank of Nova Scotia, 4.94%, April 15, 2019	50,000	51,570	49,274	
BMO Capital Trust, Conv., 6.647%, December 31, 2010	100,000	109,100	104,994	
BMO Capital Trust, 6.685%, December 31, 2011	23,000	25,767	24,542	
BMO Capital Trust, 6.903%, December 29, 2049	50,000	51,925	52,158	
Borealis Energy Source, 6.27%, May 3, 2011	4,000	4,380	4,236	
Canada Life Capital Trust, 7.529%, June 30, 2032	5,000	5,153	5,033	
Clarica Life Insurance Company, 6.65%, October 12, 2015	13,000	14,203	13,703	
GE Capital Can Funding, 5.15%, June 6, 2013	110,000	111,475	111,630	
GE Capital Can Funding, 5.73%, October 22, 2037	44,000	44,234	37,919	
Greater Toronto Airports Authority, 7.10%, June 4, 2031	50,000	50,590	55,101	
HSBC Canada Asset Trust, 7.78%, December 31, 2010	55,000	59,758	57,236	
Hydro One Inc., 5.77%, November 15, 2012	150,000	160,050	164,009	
IGM Financial Inc., 7.45%, May 9, 2031	10,000	10,180	10,916	
Kommunalbanken AS., 4.75%, March 17, 2017	27,000	27,351	27,754	
Manulife Financial Capital Trust, 6.70%, June 30, 2012	28,000	28,189	29,329	
Manulife Financial Corporation, 5.161%, June 26, 2015	400,000	400,000	410,612	
Master Credit Card Trust, 5.237%, May 21, 2013	50,000	51,272	53,018	
Omers Realty Corporation, 5.48%, December 31, 2012	460,000	477,321	493,920	
Royal Bank of Canada, 5.95%, June 18, 2014	112,000	119,664	116,642	
Royal Bank of Canada, 4.71%, December 22, 2014	65,000	69,855	68,160	
Scotia Bank Capital Trust II, 6.282%, December 29, 2049	82,000	81,105	86,047	
Scotia Bank Capital Trust, 6.626%, June 30, 2052	41,000	41,160	43,446	

STATEMENT OF INVESTMENT PORTFOLIO *(Unaudited)*

Bonds - Corporate (continued)	Par value	Average cost	Fair value	% of total Fair value
Sun Life Cap Trust, 6.865%, December 31, 2049	92,000	98,483	96,641	
Sun Life Financial Inc., 5.12%, June 26, 2018	400,000	399,875	403,552	
TransCanada PipeLines Limited, 8.29%, February 5, 2026	41,000	54,245	50,557	
		2,806,911	2,833,679	29.7
Total bonds		9,341,603	9,542,445	100.0
Total portfolio of investments		\$ 9,341,603	\$ 9,542,445	100.0

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

NOTES TO FINANCIAL STATEMENTS *June 30, 2009*

1. Background

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

2. Summary of significant accounting policies

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

Investments

Investments are recorded at the closing bid price ("fair value") provided by independent security pricing services. The difference between the fair value of investments and the cost of the investments is included in 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 the period 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 period divided by the weighted average number of units outstanding over the period.

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 June 30, 2009 the Fund's credit risk exposure grouped by credit ratings is listed in the following table:

NOTES TO FINANCIAL STATEMENTS *June 30, 2009 (continued)*

Credit Rating	As a Percentage of Net Assets
AAA	62.1%
AA	19.3%
A	18.6%
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 June 30, 2009, the Fund's exposure to debt instruments by maturity was as follows:

Maturity Date	As a Percentage of Net Assets
Less than 3 year	16.3%
3-5 years	27.8%
5-10 years	32.1%
Greater than 10 years	23.8%

As at June 30, 2009, 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 1.49% (approximately \$145,000). 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 the second half of 2008, \$40,260 in expenses were reduced through such transactions. It is not possible to forecast whether expenses will be reduced in a similar manner in the second half of 2009.

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 periods ending June 30 were as follows:

	2009	2008
Outstanding, beginning of period	933,645	989,018
Issued	62,196	24,000
Redeemed	(47,610)	(54,109)
Outstanding, end of period	948,231	958,909

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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