

2009

Tradex Bond Fund



Annual Management Report of Fund Performance and Annual Financial Statements



December 31, 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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TABLE OF CONTENTS

Statement of Management’s Responsibility	1
Management Report of Fund Performance	
Management Discussion of Fund Performance	2
Financial Highlights	3
Past Performance	4
Summary of Investment Portfolio	5
Audited Financial Statements	
Auditors’ Report	6
Statements of Net Assets	7
Statements of Operations	8
Statements of Changes in Net Assets	9
Statement of Investment Portfolio	10
Notes to Financial Statements	11



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.

Blair Cooper
President and Chief Executive Officer
Tradex Management Inc.

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

March 18, 2010



ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the year ended December 31, 2009

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. Also, only corporate bonds with a credit rating of single A or better are included in the 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

The risks of investing in the Fund remain as discussed in the Simplified Prospectus. There were no fundamental changes in the investment objectives that affected the Fund's overall level of risk in 2009. As always, any changes in the Fund's overall level of risk will depend on changes in its exposure to credit risk, interest rate risk, liquidity risk, and other market risk. A discussion of these risks appears on pages 11-12 under the heading of "Management of financial risk".

The Fund is suitable for those investors prepared to accept some fluctuation in unit values in return for potentially higher income than money market mutual funds and deposit accounts. 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

An investment in Tradex Bond Fund increased in value by 3.8% in 2009.

During 2009 central banks around the world continued to take strong policy actions to further ease credit conditions and stabilize banking systems in light of the ongoing uncertainty in financial markets and the severity of the worldwide recession. During the first four months of the year, 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 taken aggressive easing acts 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 2009. Yields rebounded during the remainder of the first-half and by June 30 they were considerably higher than at the beginning of the year. During the second half of the year there was a further increase in yields on Government of Canada bonds as confidence in credit markets improved further and evidence emerged that the economic recovery had started to take hold. However, it is important to note that at the end of 2009, yields on Government of Canada bonds, as shown in the table below, remained well below the record low levels reached prior to this recent period of unprecedented uncertainty.

Term to Maturity	Yield Dec. 31, 2007	Yield Dec. 31, 2008	Yield June 30, 2009	Yield Dec. 31, 2009
2 years	3.74%	1.09%	1.20%	1.47%
3 years	3.82%	1.32%	1.84%	1.92%
5 years	3.87%	1.69%	2.46%	2.77%
10 years	3.99%	2.69%	3.36%	3.61%
30 years	4.10%	3.45%	3.86%	4.08%

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

A summary of the Fund's overall portfolio allocation during the review period is shown in the following table.

	Dec. 31, 2008	June 30, 2009	Dec. 31, 2009
Government of Canada	46%	39%	32%
Provincial/municipal Governments	32%	31%	27%
Corporations	22%	30%	41%
Total	100%	100%	100%

In light of the turmoil in financial markets, interest rate spreads between corporate bonds and government bonds (credit spreads) moved to near-panic highs in late 2008. In anticipation of this development, in the second half of 2008 portfolio manager TD Asset Management took the pre-emptive step of increasing the proportion of Government of Canada bonds in the Fund's portfolio to 46%, which is well above the Fund's normal weighting for federal government bonds. During the first half of 2009, as confidence increased and credit spreads began to narrow, the Fund's allocation to Government of Canada bonds was reduced to 39%. Subsequently, as conditions in financial markets continued to improve and credit spreads narrowed further the weighting to Government of Canada bonds was reduced to 32%, which is essentially the "neutral" position for the Fund. On the other hand, the weighting to corporate bonds increased from 22% at the start of the year to 41% at year-end.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

Quarterly distributions totaled 32.7 cents per unit during 2009. At year-end the portfolio consisted of 60 individual bond issues, including 35 corporate issues. The relatively large number of issues in the corporate portion of the portfolio further controls risk. 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 6.0 years for the DEX Universe Index.

The Fund's Management Expense Ratio (MER) increased to 1.47% in 2009 from 1.18% in 2008. This continues to be well below the average expense ratio for Canadian bond funds (the *Globe and Mail* reports that the average MER for Canadian bond funds is 1.68%). There was a slight increase in the number of units outstanding during the year and at year-end the net asset value of the Fund stood at \$9.8 million compared to \$9.5 million at the end of 2008.

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 \$61,714 in 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 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.

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

	2009	2008	2007	2006	2005
Net asset per unit, beginning of year	\$ 10.17	\$ 9.99	\$ 10.15	\$ 10.31	\$ 10.22
Increase (decrease) from operations:					
Total revenue	\$ 0.48	\$ 0.47	\$ 0.52	\$ 0.55	\$ 0.55
Total expenses	\$ (0.16)	\$ (0.12)	\$ (0.11)	\$ (0.12)	\$ (0.13)
Realized gains (losses) for the year	\$ 0.04	\$ 0.04	\$ (0.14)	\$ (0.04)	\$ 0.17
Unrealized gains (losses) for the year	\$ 0.02	\$ 0.14	\$ (0.02)	\$ (0.12)	\$ (0.07)
Total increase from operations (2)	\$ 0.38	\$ 0.53	\$ 0.25	\$ 0.27	\$ 0.52
Distributions:					
From investment income	\$ 0.33	\$ 0.36	\$ 0.42	\$ 0.43	\$ 0.43
Total Distributions (3)	\$ —	\$ 0.36	\$ 0.42	\$ 0.43	\$ 0.43
Net assets per unit, end of year	\$ 10.22	\$ 10.17	\$ 9.99	\$ 10.15	\$ 10.31

(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	2009	2008	2007	2006	2005
Total net asset value, end of year (000's)	\$ 9,805	\$ 9,492	\$ 9,880	\$ 10,416	\$ 10,990
Weighted average net asset value (000's)	\$ 9,797	\$ 9,595	\$ 9,922	\$ 10,541	\$ 11,262
Number of units outstanding, end of year (000's)	959	934	989	1,026	1,066
Management expense ratio (1)	1.47%	1.18%	1.07%	1.22%	1.28%
Management expense ratio before waivers or absorptions (1)	1.69%	1.60%	1.57%	1.64%	1.58%
Portfolio turnover rate (2)	32.94%	53.19%	84.36%	42.32%	109.37%
Net asset value per unit, end of year	\$ 10.22	\$ 10.17	\$ 9.99	\$ 10.15	\$ 10.31

(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)*

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 2009, \$21,000 in expenses were reduced for the Fund through such transactions.

Other Expenses

The other expenses incurred by the Fund amounted to \$103,532 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

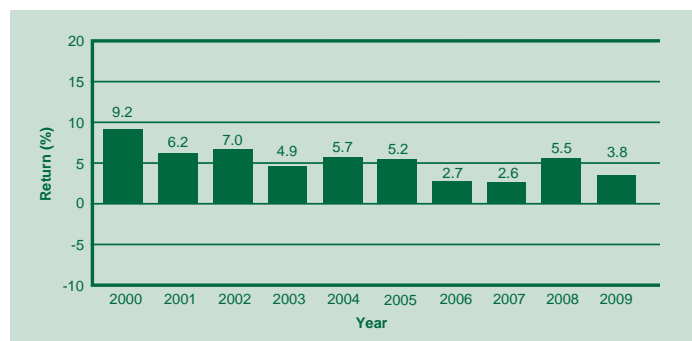
The past performance of the Fund is set out in the Year-by-Year Returns and Annual Compound Returns chart and table. All performance returns:

- 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, 2009, compared to the DEX Universe Bond Total Return Index (formerly the Scotia Capital Markets Universe Bond Total Return Index).

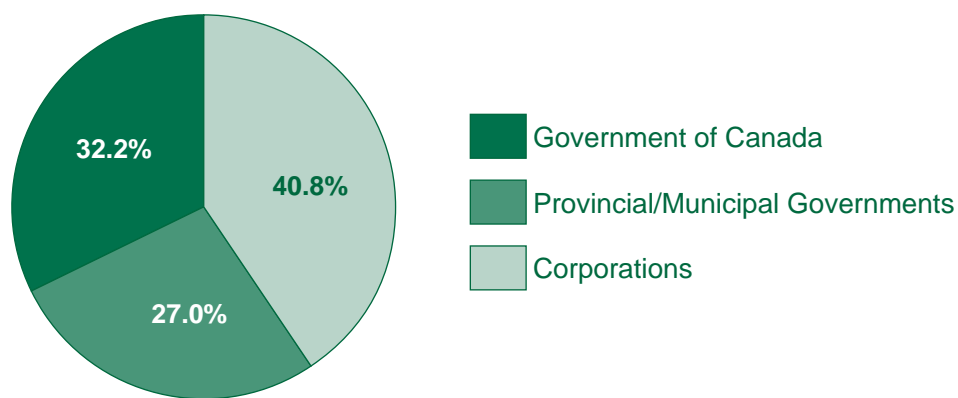
	Past 10 years	Past 5 years	Past 3 years	Past year
Tradex Bond Fund	5.3%	4.0%	4.0%	3.8%
DEX Universe Bond Total Return Index	6.7%	5.2%	5.2%	5.4%

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, 2009 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, 2009 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	12.5%	Sun Life Financial Inc., 5.12%, June 26, 2018	2.1%
Canada Mortgage and Housing Corporation, 4.35%, February 1, 2017	5.4%	Great-West Lifeco Inc., Variable rate, August 10, 2015	2.1%
OMERS Realty Corporation, 5.48%, December 31, 2012	5.1%	Province of British Columbia, 5.60%, June 1, 2018	2.0%
Alberta Capital Finance Authority, 4.65%, June 15, 2017	5.0%	Canadian Utilities Limited, 7.05%, June 1, 2011	1.9%
OMERS Realty Corporation, 4.74%, June 4, 2018	4.6%	Hydro One Inc., 5.77%, November 15, 2012	1.7%
Province of British Columbia, 4.70%, December 1, 2017	4.2%	Canada Housing Trust, 4.00%, June 15, 2012	1.6%
Government of Canada, 4.0%, June 1, 2041	4.1%	Province of Saskatchewan, 5.25%, December 3, 2012	1.5%
Alberta Capital Finance Authority, 4.35%, June 15, 2016	3.8%	Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012	1.4%
Alberta Treasury Branches, 3.85%, June 3, 2013	3.3%	Canada Housing Trust, 4.55%, December 15, 2012	1.3%
Scotia Bank Capital Trust, 6.282%, June 30, 2013	2.9%	Score Trust Credit Card Receivables, 4.949%, February 20, 2014	1.2%
Manulife Financial Corporation, 5.161%, June 26, 2015	2.8%	Royal Bank of Canada, 5.95%, June 18, 2014	1.2%
Glacier Credit Card Trust, 4.187%, November 19, 2010	2.8%	Sub-total – largest 25 holdings	79.3%
Farm Credit Canada, 4.60%, June 1, 2021	2.6%	Remaining holdings	20.7%
Ontario Infrastructure Projects Corporation, 4.70%, June 1, 2037	2.2%	Total Net Asset Value	100.0%

AUDITORS' REPORT TO THE UNITHOLDERS



March 18, 2010

To the Unitholders of Tradex Bond Fund

We have audited the statement of investment portfolio of Tradex Bond Fund as at December 31, 2009, the statements of net assets as at December 31, 2009 and 2008 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, 2009 and 2008 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*

	2009	2008
Assets		
Investments, at fair value *	\$ 9,739,558	\$ 9,417,980
Cash and short-term investments	40,653	28,949
Subscriptions receivable	—	806
Accrued interest	91,799	75,546
	9,872,010	9,523,281
Liabilities		
Accounts payable and accrued liabilities	30,578	25,375
Payable for investments purchased	36,136	—
Redemptions payable	—	5,494
	66,714	30,869
Net assets, representing unitholders' equity	\$ 9,805,296	\$ 9,492,412
Units issued and outstanding, end of year <i>(Note 7)</i>	\$ 959,254	\$ 933,645
Net assets per unit	\$ 10.22	\$ 10.17
	\$ 9,517,805	\$ 9,214,064

* Investments at cost

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*

	2009	2008
Investment Income		
Revenue		
Interest	\$ 456,609	\$ 452,156
	456,609	452,156
Expenses <i>(Note 6)</i>		
Management fees	61,714	60,508
Investment advisory fees	26,000	26,003
Administration costs	46,973	35,981
Independent Review Committee	27	22
Audit fees	13,000	12,501
Custodian fees	2,999	4,002
Registration fees and expenses	14,533	14,495
Expense reductions <i>(Note 6)</i>	(21,000)	(40,260)
	144,246	113,252
Net investment income	312,363	338,904
Realized and unrealized gain (loss) on investments		
Net realized gain on sale of investments	35,951	41,508
Change in unrealized appreciation on investments	17,837	129,946
Net gain on investments	53,788	171,454
Increase in net assets from operations	\$ 366,151	\$ 510,358
Increase per unit in net assets from operations	\$ 0.38	\$ 0.53

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

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

	2009	2008
Net assets, beginning of year	\$ 9,492,412	\$ 9,879,563
Add (deduct)		
Operations		
Increase in net assets from operations	366,151	510,358
Distributions		
Distributions to unitholders from investment income	(312,311)	(341,821)
	53,840	168,537
Units		
Proceeds from issue of units	862,865	295,239
Reinvestment of distributions	310,858	340,431
Consideration paid for redemptions of units	(914,679)	(1,191,358)
	259,044	(555,688)
Net assets, end of year	\$ 9,805,296	\$ 9,492,412

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

STATEMENT OF INVESTMENT PORTFOLIO *December 31, 2009*

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	\$ 100,672	
Canada Housing Trust, 4.00%, June 15, 2012	152,000	156,849	159,462	
Canada Housing Trust, 4.55%, December 15, 2012	120,000	124,921	127,930	
Canada Housing Trust, 3.95%, June 15, 2013	110,000	109,879	115,361	
Canada Housing Trust, 2.70%, December 15, 2013	80,000	80,437	80,112	
Canada Mortgage & Housing Corporation, 5.50%, June 1, 2012	129,000	137,733	139,720	
Canada Mortgage & Housing Corporation, 4.35%, February 1, 2017	507,000	496,303	530,378	
Farm Credit Canada, 4.55%, April 12, 2021	1,187,000	1,187,957	1,225,198	
Farm Credit Canada, 4.60%, June 1, 2021	242,000	241,980	250,356	
Government of Canada, 4.00%, June 1, 2041	410,000	417,805	404,322	
		3,050,624	3,133,511	32.2
Provincial/Municipal				
Alberta Capital Finance, 4.35%, June 15, 2016	355,000	350,713	371,337	
Alberta Capital Finance, 4.65%, June 15, 2017	462,000	461,173	486,925	
Alberta Treasury Branch, 3.85%, June 3, 2013	313,000	311,372	326,597	
Hydro-Quebec, 6.50%, February 15, 2035	34,000	39,910	41,514	
Hydro-Quebec, 5.00%, February 15, 2045	100,000	104,342	102,325	
Ontario Infrastructure, 4.70%, June 1, 2037	232,000	227,626	215,753	
Ontario School Boards Financing Coporation, 6.30%, September 22, 2010	50,000	53,150	51,991	
Province of British Columbia, 4.70%, December 1, 2017	392,000	401,406	413,351	
Province of British Columbia, 5.60%, June 1, 2018	180,000	198,144	199,829	
Province of British Columbia, 5.70%, June 18, 2029	24,000	27,538	26,591	
Province of British Columbia, 5.40%, June 18, 2035	90,000	97,176	98,121	
Province of British Columbia, 4.70%, June 18, 2037	20,000	19,794	19,905	
Province of Ontario, 4.75%, June 2, 2013	25,000	25,750	26,782	
Province of Ontario, 4.20%, March 8, 2018	100,000	101,950	101,454	
Province of Saskatchewan, 5.25%, December 3, 2012	140,000	148,110	151,841	
		2,568,154	2,634,316	27.0
Corporate				
Bank of Montreal, 7.00%, January 28, 2010	13,000	13,982	13,052	
Bank of Montreal, 5.04%, September 4, 2012	75,000	79,400	80,062	
Bank of Montreal, Variable rate, April 21, 2021	75,000	75,014	78,899	
Bank of Nova Scotia, 5.00%, September 13, 2010	70,000	70,014	72,031	
Bank of Nova Scotia, 4.94%, April 15, 2019	50,000	51,570	52,891	
BMO Capital Trust, Convertible, 6.647%, December 31, 2010	100,000	109,100	104,782	
BMO Capital Trust, 6.685%, December 31, 2011	23,000	25,767	24,807	
BMO Capital Trust, 6.903%, December 29, 2049	50,000	51,925	51,571	
Borealis Energy Source, 6.27%, May 3, 2011	4,000	4,380	4,228	
Canadian Imperial Bank of Commerce, Variable Rate, June 6, 2018	25,000	26,225	26,645	
Canada Life Capital Trust, 7.529%, June 30, 2032	5,000	5,153	5,418	
Clarica Life Insurance Company, 6.65%, October 12, 2015	13,000	14,203	13,532	
Canadian Utilities Limited, 7.05%, June 1, 2011	175,000	190,960	188,067	
Glacier Credit Card Trust, 4.187%, November 19, 2010	265,000	272,950	271,927	
Great-West Lifeco Inc. variable rate, August 10, 2015	200,000	209,820	206,718	
GE Capital Canada Funding Company, 5.15%, June 6, 2013	110,000	111,475	115,812	
GE Capital Canada Funding Company, 5.73%, October 22, 2037	44,000	44,234	39,503	
Greater Toronto Airports Authority, 7.10%, June 4, 2031	10,000	10,118	11,584	
Honda Canada Finance Inc., 4.727%, May 05, 2011	85,000	88,018	88,116	
HSBC Canada Asset Trust, 7.78%, December 31, 2010	55,000	59,758	57,802	
Hydro One Inc., 5.77%, November 15, 2012	150,000	160,050	163,814	
IGM Financial Inc., 7.45%, May 9, 2031	10,000	10,180	11,103	
Kommunalbanken AS., 4.75%, March 17, 2017	27,000	27,351	27,900	
Manulife Financial Capital Trust, 6.70%, June 30, 2012	28,000	28,188	30,370	
Manulife Financial Corporation, 5.161%, June 26, 2015	260,000	260,000	277,126	
Master Credit Card Trust, 5.237%, May 21, 2013	50,000	51,272	53,671	
OMERS Realty Corporation, 5.48%, December 31, 2012	460,000	477,321	498,382	
OMERS Realty Corporation, 4.74%, June 04, 2018	450,000	442,225	453,677	
Royal Bank of Canada, 5.95%, June 18, 2014	112,000	119,664	120,490	
Royal Bank of Canada, 4.71%, December 22, 2014	65,000	69,856	69,135	
Score Trust Credit Card Receivables, 4.949%, February 20, 2014	120,000	122,690	121,604	
Scotia Bank Capital Trust, 6.282%, June 30, 2013	262,000	276,584	285,194	
Scotia Bank Capital Trust, 6.626%, June 30, 2052	41,000	41,160	44,542	
Sun Life Cap Trust, 6.865%, December 31, 2049	92,000	98,483	96,738	
Sun Life Financial Inc., 5.12%, June 26, 2018	200,000	199,937	210,538	
		3,899,027	3,971,731	40.8
Total bonds		9,517,805	9,739,558	100.0
Total portfolio of investments	\$	\$ 9,517,805	\$ 9,739,558	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

During 2009 the Fund adopted the amendments to Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, “Financial Instruments—Disclosures” to enhance disclosures about inputs to fair value measurements, including their classification 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 assets in accordance with this hierarchy appears in Note 3.

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 the 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.

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.

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. *Classification of Financial Instruments*

The classification of the Fund’s financial instruments within the fair value hierarchy as at December 31, 2009 is as follows:

Level 1 Assets – \$40,653 in cash.

Level 2 Assets – \$9,739,558 consisting of bond issues that trade in the Canadian bond market.

There were no transfers between levels during the year ended December 31, 2009.

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, 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. Risk is reduced through investment in Government of Canada bonds and provincial government bonds. 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 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, 2009 and 2008 the Fund’s credit risk exposure grouped by credit ratings is listed

in the following table (for a listing by the type of issuer see the Statement of Investment Portfolio):

Credit Rating	As a Percentage of Net Investments	
	2009	2008
AAA	66.7%	72.3%
AA	15.5%	16.1%
A	17.8%	11.6%

(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, 2009 and 2008, the Fund's exposure to debt instruments by maturity was as follows:

Maturity Date	As a Percentage of Net Investments	
	2009	2008
Less than 3 year	22.0%	8.1%
3-5 years	21.5%	28.5%
5-10 years	30.2%	39.8%
Greater than 10 years	26.3%	23.6%

As at December 31, 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 1.48% or approximately \$146,000 (1.55% or approximately \$148,000 in 2008). 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.

5. Taxes

Goods and services tax (GST) is included in the relevant 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, 2009, the Fund had no non-capital losses and \$954,812 in capital losses carried forward for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains.

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 2009, \$21,000 in expenses were reduced for the fund through such transactions (\$40,260 in 2008).

7. 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 4, 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:

	2009	2008
Outstanding, beginning of year	933,645	989,018
Issued	114,888	63,457
Redeemed	(89,279)	(118,830)
Outstanding, end of year	959,254	933,645

8. Future accounting change

Effective January 1, 2011 the Fund will 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.

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