

2010

Interim Management Report of Fund Performance and Interim Financial Statements

Tradex EQUITY Fund Limited

June 30, 2010

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

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

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K1P 6L2



INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE *for the six months ending June 30, 2010*

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

An investment in Tradex Equity Fund Limited decreased in value by 3.7% during the first half of 2010 while it has increased by 10.2% over the past year.

During the first four months of the period the Canadian equity market continued to move higher, reaching an 18-month peak towards the end of April, at which time the S&P/TSX Composite Index was up 4.6% year-to-date. However, the mood of the market turned decidedly negative as the second quarter progressed. The change in market tone started with the debt problems facing Greece and a number of other euro zone countries. As the period progressed concerns increased on a number of fronts, including expectations for slower growth in China, the lack of a rebound in U.S. employment and the U.S. housing market, and forecasts of negative effects on the global economy from the removal of fiscal stimulus. As a result, from its peak in April to the end of the period, the S&P/TSX Composite Index declined in value by approximately 8% to finish the period 3.8% lower than at year-end. The decline in the U.S. market was even greater as the S&P 500 Index fell by 15% from its peak in April to finish the period 7.6% lower than at the end of 2010.

Throughout the period approximately 78% of the Fund's total portfolio value was in Canadian equities, with the remaining 22% in U.S. equities. The number of stocks in the Canadian portion of the portfolio was increased to 82 from 77 while the number of U.S. stocks was increased by one to 45.

Canadian financial stocks continued to represent the largest industry sector with 23.8% of the Fund's total portfolio value in this sector at the end of the period. Five of the Fund's top 12 holdings are in this sector including its two largest holdings, the Royal Bank of Canada and TD Bank which collectively represent 8.6% of the total portfolio value. While Canadian financial stocks performed well in the first quarter, they were weak in second quarter due to the increased uncertainty in international financial markets and this had a significant negative effect on the Fund's overall performance. The portfolio weighting to the Energy sector increased to 21.7%, from 20.5%, at the end of 2009. The number of companies in this sector was increased from 18 to 25 with the addition of several small and mid-cap energy companies that have substantial growth potential.

Gold mining stocks were the strongest sector of the market during the period and contributed significantly to the performance of the Fund. At the end of the period, gold stocks represented approximately 10% of the Fund's total assets including shares in Barrick Gold and Goldcorp, which collectively represented 5% of the total portfolio value. Portfolio activity in the U.S. portion of the portfolio was once again light. In general, the U.S. market under-performed the Canadian market over the first half of the year which negatively affected the Fund's performance. As introduced in mid-2009, throughout the period approximately 50% of the U.S. dollar

exposure was hedged into Canadian dollars through derivatives known as forward contracts. This reduced a portion of the currency related gains/losses that the Fund would otherwise have experienced due to the weakness/strength of the Canadian dollar. During the first quarter currency hedging was favourable for the Fund as the Canadian dollar increased from 95.15 cents U.S. to 98.44 cents. However, in the second quarter, hedging was a drag on performance as the Canadian currency dropped to 93.93 cents U.S.

Looking ahead, PH&N continue to expect equities to offer attractive returns, albeit with corrections along the way, and they view the recent volatility in that context. Their view is that the policy response to the crisis in Greece has been sufficiently strong to avoid another liquidity crisis, and that it is unlikely that the United States or global economy will double-dip into a recession. With hindsight, the market had arguably become complacent about the certainty and smoothness of the global economic recovery back in March and April; however, that complacency has quickly dissipated. With the remarkable strength in corporate earnings continuing, and valuations on many stocks reasonable in the context of a low-interest-rate, low-inflation environment, their outlook is for attractive equity returns as we move forward. Thus, as concerns over macro-economic conditions ease, and the market returns its attention to company-specific fundamentals, stock selection will become key. In this regard, PH&N believe that their bottom-up process and focus on quality growing companies at reasonable valuations will translate into superior performance in the long run.

At the end of the period, the net asset value of the Fund stood at \$80.5 million compared to \$85.8 million at the end of 2009. No capital gain distribution was made in January 2010.

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 0.7% of the Fund's net asset value, calculated and accruing daily. This amounted to \$314,957 in the first six months of 2010 (including GST) and represents slightly more than 50% of the total expenses paid by the Fund (excluding brokerage fees). 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 shareholders and potential shareholders. 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. It is not possible to forecast if a rebate will be made in the second half of 2010.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

Other Expenses

The other expenses incurred by the Fund in the first six months of 2010 amounted to \$298,030 and were paid to third party suppliers and regulatory authorities. These represent investment advisory fees (paid to Phillips, Hager & North Investment Management Ltd), 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 Share (1)

For the six month period ending June 30, 2010 and the five annual periods ending December 31, 2009, 2008, 2007, 2006, 2005.

	2010	2009	2008	2007	2006	2005
Net assets per share, beginning of period	\$ 11.66	\$ 8.95	\$ 15.13	\$ 16.97	\$ 16.06	\$ 14.03
Increase (decrease) from operations:						
Total revenue	\$ 0.12	\$ 0.25	\$ 0.32	\$ 0.48	\$ 0.31	\$ 0.25
Total expenses	\$ (0.08)	\$ (0.15)	\$ (0.17)	\$ (0.20)	\$ (0.18)	\$ (0.18)
Realized gains (losses) for the period	\$ 0.42	\$ (1.41)	\$ (0.35)	\$ 0.46	\$ 1.27	\$ 1.84
Unrealized gains (losses) for the period	\$ (0.85)	\$ 4.24	\$ (5.52)	\$ (1.44)	\$ 0.49	\$ 0.32
Total increase (decrease) from operations (2)	\$ (0.39)	\$ 2.93	\$ (5.72)	\$ (0.70)	\$ 1.89	\$ 2.23
Distributions to investors:						
From dividends	\$ —	\$ 0.24	\$ 0.29	\$ 0.40	\$ 0.21	\$ 0.19
From capital gains	\$ —	\$ —	\$ 0.12	\$ 0.71	\$ 0.78	\$ —
Total Distributions (3)	\$ —	\$ 0.24	\$ 0.41	\$ 1.11	\$ 0.99	\$ 0.19
Net assets per share, end of period	\$ 11.24	\$ 11.66	\$ 8.95	\$ 15.13	\$ 17.01	\$ 16.06

(1) The information for 2005-2009 is derived from the Fund's audited annual financial statements. Starting in 2007, net assets per share represented in the audited financial statements differ from net asset value per share calculated for fund pricing purposes. This reflects the Fund's revised accounting policies adopted in accordance with changes in Canadian generally accepted accounting principles (GAAP) introduced by the Canadian Institute of Chartered Accountants. The net asset value per share for pricing purposes (as opposed to the GAAP net assets per share) was \$11.69 at the beginning of 2010 and \$11.26 as at June 30, 2010. A further explanation of this difference can be found in the Notes to the financial statements on pages 10-11.

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

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

Ratios and Supplemental Data	2010	2009	2008	2007	2006	2005
Total net asset value, end of period (000's)	\$ 80,495	\$ 85,798	\$ 67,520	\$ 117,229	\$ 131,158	\$ 126,197
Weighted average net asset value (000's)	\$ 86,393	\$ 75,228	\$ 100,094	\$ 128,999	\$ 125,172	\$ 121,306
Number of shares outstanding, end of period (000's)	7,151	7,341	7,508	7,727	7,709	7,858
Management expense ratio (1)	1.43%	1.49%	1.28%	1.18%	1.19%	1.21%
Management expense ratio before waivers or absorptions (1)	1.43%	1.49%	1.39%	1.30%	1.27%	1.29%
Trading expense ratio (2)	0.15%	0.28%	0.30%	0.30%	0.11%	0.08%
Portfolio turnover rate (3)	25.83%	95.21%	83.84%	72.28%	26.23%	29.14%
Net asset value per share, end of period	\$ 11.26	\$ 11.69	\$ 8.99	\$ 15.17	\$ 17.01	\$ 16.06

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) 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 2010.

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a 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 the performance of a fund.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

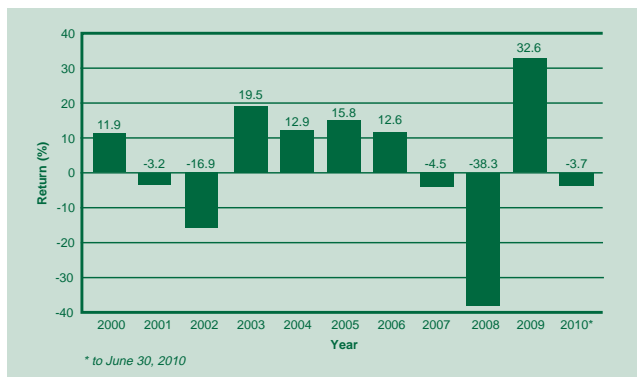
III. PAST PERFORMANCE

The Fund's past performance assumes all distributions made by the Fund in the periods shown were used to purchase additional shares of the Fund.

If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of dividends the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional shares. 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.

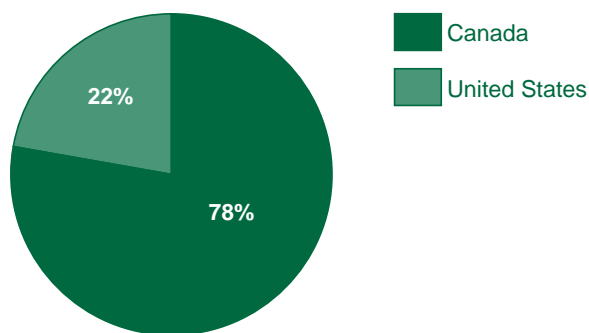
Year-by-year Returns

This bar chart shows the Fund's annual performance for each of the past ten years ending December 31, 2009 plus the performance for the six-month period ending June 30, 2010. 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, 2010 broken down by the geographic location of the companies in the portfolio is as follows:



A summary of the sector weighting of the Canadian companies in the Fund's investment portfolio along with the weighting of each sector in the S&P/TSX Composite Index as at June 30, 2010 is as follows:

	Weighting of the S&P/TSX Composite Index	Weight of the Canadian portion of the Fund's portfolio
Energy	26.5%	27.7%
Materials	20.8%	19.6%
Industrials	5.7%	6.7%
Consumer Discretionary	4.8%	5.5%
Consumer Staples	2.6%	1.7%
Health Care	0.5%	0.7%
Financials	30.0%	30.3%
Information Technology	2.8%	3.5%
Telecommunication Services	4.6%	3.4%
Utilities	1.7%	0.9%
Total	100.0%	100.0%

The following investments represent the 25 largest holdings of the Fund as of June 30, 2010 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.

Royal Bank of Canada	4.6%	Power Corporation of Canada	1.4%
The Toronto-Dominion Bank	4.0%	Rogers Communication Inc. "B"	1.4%
Bank of Nova Scotia	3.3%	Cenovus Energy Inc.	1.3%
Barrick Gold Corporation	2.8%	Transcanada Corporation	1.3%
Suncor Energy Inc.	2.7%	Talisman Energy Inc.	1.2%
Canadian Natural Resources Ltd.	2.4%	BCE Inc.	1.2%
Bank of Montreal	2.3%	Teck Resources Limited "B"	1.1%
Goldcorp Inc.	2.2%	Thomson Reuters	1.1%
Potash Corp. of Saskatchewan	1.8%	Wal-Mart Stores (U.S.)	1.0%
Research In Motion	1.7%	Enbridge Inc.	1.0%
Canadian National Railway Company	1.6%	Cisco Systems Inc. (U.S.)	0.9%
Canadian Imperial Bank of Commerce	1.5%	Sub-total - largest 25 holdings	46.7%
Manulife Financial Corporation	1.5%	Remaining holdings	53.3%
EnCana Corporation	1.4%	Total Investment Portfolio	100.0%



INTERIM FINANCIAL STATEMENTS for the six months ending June 30, 2010

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, 2010.

STATEMENTS OF NET ASSETS *June 30, 2010 (Unaudited) and December 31, 2009*

	2010	2009
Assets		
Investments, at fair value *	\$ 78,429,388	\$ 84,860,889
Cash and short-term investments	1,994,157	484,536
Receivable for investments sold	67,820	316,949
Dividends receivable	111,873	143,002
Receivable for tax reclaims	647	745
Subscriptions receivable	7,000	620
	80,610,885	85,806,741
Liabilities		
Accounts payable and accrued liabilities	167,077	231,087
Redemptions payable	34,979	3,000
	202,056	234,087
Net assets, representing shareholders' equity	\$ 80,408,829	\$ 85,572,654
Shares issued and outstanding, end of period <i>(Note 7)</i>	\$ 7,150,804	7,341,464
Net assets per share	\$ 11.24	\$ 11.66
* Investments at cost	\$ 76,168,732	\$ 76,437,825

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

Approved by the Board
of Directors of
Tradex Equity Fund Limited and
Tradex Management Inc.

Andrew Campbell
Director

Karin Zabel
Director

STATEMENTS OF OPERATIONS *(Unaudited)*

	Six months ending June 30	
	2010	2009
Investment Income		
Revenue		
Dividends	\$ 891,448	\$ 1,076,037
Less foreign withholding taxes	(23,894)	(23,334)
	867,554	1,052,703
Foreign exchange gain	3,037	4,703
Interest	429	735
	871,020	1,058,141
Expenses <i>(Note 6)</i>		
Management fees	314,957	250,203
Investment advisory fees	105,128	86,796
Administration costs	146,288	147,520
Independent Review Committee	—	—
Audit fees	22,315	25,347
Custodian fees	16,860	18,900
Registration fees and expenses	7,439	7,366
Expense reductions <i>(Note 6)</i>	—	—
	612,987	536,132
Net investment income	258,033	522,009
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized gain (loss) on sale of investments	3,105,200	(9,440,910)
Change in unrealized appreciation (depreciation) on investments and forward contracts	(6,162,408)	19,746,418
Transaction costs	(65,845)	(91,982)
Net gain (loss) on investments	(3,123,053)	10,213,526
Increase (decrease) in net assets from operations	\$ (2,865,020)	\$ 10,735,535
Increase (decrease) per share in net assets from operations	\$ (0.39)	\$ 1.44

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

STATEMENTS OF CHANGES IN NET ASSETS (Unaudited)

	Six months ending June 30	
	2010	2009
Net assets, beginning of period	\$ 85,572,654	\$ 67,213,001
Add (deduct)		
Operations		
Net increase (decrease) in net assets from operations	(2,865,020)	10,735,535
Distributions		
Distribution to shareholders from investment income	—	—
Distribution to shareholders from realized profit on sale of investment	—	—
	(2,865,020)	10,735,535
Shares		
Proceeds from issue of shares	2,188,981	1,384,848
Consideration paid for redemptions of shares	(4,487,786)	(2,461,293)
	(2,298,805)	(1,076,445)
Net assets, end of period	\$ 80,408,829	\$ 76,872,091

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

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2010

Canadian Common Stocks	Number of shares	Average cost	Fair value	% of total fair value
Energy				
Suncor Energy Inc.	69,300	\$ 2,970,197	\$ 2,171,169	
Canadian Natural Resources Limited	55,000	2,045,645	1,943,150	
EnCana Corporation	35,500	429,253	1,144,520	
Cenovus Energy Inc.	39,400	433,469	1,079,560	
TransCanada Corporation	29,000	1,010,307	1,032,400	
Talisman Energy Inc.	60,100	1,086,139	967,610	
Enbridge Inc.	16,000	647,024	793,280	
Wild Stream Exploration Inc.	122,100	570,712	689,865	
Midway Energy Limited	205,000	296,182	606,800	
Canadian Oil Sands Trust	22,300	612,325	601,877	
Nexen Inc.	27,400	868,482	573,208	
Second Wave Petroleum Inc.	178,000	369,604	509,080	
Advantage Oil & Gas Limited	81,700	560,848	503,272	
Petrobank Energy and Resources Limited	13,100	649,609	490,595	
Arcan Resources Limited	113,700	305,275	490,047	
Crescent Point Energy Corporation	13,000	515,970	482,690	
Bonavista Energy Trust	20,000	357,087	456,200	
Daylight Resources Trust	42,000	378,923	373,800	
Pengrowth Energy Trust	37,100	386,729	360,983	
FMC Technologies Inc.	6,446	336,552	359,949	
Niko Resources Limited	3,600	359,725	356,436	
Bellatrix Exploration Limited	108,225	393,188	332,251	
Pacific Rubiales Energy Corporation	11,000	123,556	262,460	
Paramax Resources Limited	648,100	324,050	220,354	
Southern Pacific Resources Corporation	218,400	262,080	218,400	
Paramax Resources Limited, Warrants, May 18, 2012	324,050	—	—	
		16,292,930	17,019,956	21.7
Materials				
Barrick Gold Corporation	46,800	1,896,472	2,261,376	
Goldcorp Inc.	38,000	1,587,758	1,771,180	
Potash Corporation of Saskatchewan Inc.	16,150	2,553,107	1,480,632	
Teck Resources Limited "B"	29,000	897,349	912,920	
Eldorado Gold Corporation	39,800	467,906	759,384	

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2010

	Number of shares	Average cost	Fair value	% of total fair value
Canadian Common Stocks (cont'd)				
Agnico-Eagle Mines Limited	10,800	\$ 645,770	\$ 697,464	
Agrium Inc.	11,400	564,937	592,686	
Osisko Mining Corporation	44,300	316,300	507,678	
Tahoe Resources Inc.	73,333	439,998	476,665	
Silver Wheaton Corporation	19,500	293,130	415,935	
Crocodile Gold Corporation	336,800	468,002	357,008	
Aura Minerals Inc.	82,000	336,660	328,000	
Red Back Mining Inc.	11,600	183,007	312,040	
Quadra FNX Mining Limited	31,815	426,061	309,560	
Copper Mountain Mining Corporation	140,000	352,100	298,200	
Lundin Mining Corporation	90,000	391,643	270,900	
First Quantum Minerals Limited	3,300	232,905	176,715	
Labrador Iron Mines Holdings Limited	26,600	150,175	115,710	
		12,203,281	12,044,052	15.4
Industrials				
Canadian National Railway Company	21,200	1,119,031	1,293,412	
Canadian Pacific Railway Limited	10,400	554,353	593,424	
The Westaim Corporation	1,000,000	500,000	590,000	
Bennett Environmental Inc.	210,000	574,535	401,100	
IESI-BFC Limited	17,000	250,421	360,910	
Bombardier Inc. 'B'	67,000	328,953	324,280	
Zungui Haixi Corporation	114,973	373,662	294,331	
Aecon Group Inc.	23,000	321,657	237,360	
Bennett Environmental Inc., Warrants, May 07, 2012	77,500	17,050	32,550	
		4,039,662	4,127,367	5.3
Consumer Discretionary				
Thomson Reuters	23,847	773,903	908,571	
Magna International Inc. 'A'	9,200	608,271	645,196	
Shaw Communications Inc. 'B'	29,200	553,964	559,764	
Astral Media Inc. 'A'	15,300	660,195	549,729	
Tim Hortons Inc.	12,700	419,347	432,816	
Canadian Tire Corporation 'A'	5,100	294,845	271,065	
		3,310,524	3,367,141	4.3
Consumer Staples				
Metro Inc. 'A'	10,000	425,677	418,100	
Alliance Grain Traders Inc.	11,900	383,108	357,238	
Shoppers Drug Mart Corporation	8,000	356,275	263,280	
		1,165,059	1,038,618	1.3
Financials				
Royal Bank of Canada	72,700	2,216,226	3,685,890	
The Toronto-Dominion Bank	46,200	1,917,329	3,183,180	
Bank of Nova Scotia	53,500	2,392,274	2,623,640	
Bank of Montreal	32,700	1,594,793	1,888,098	
Canadian Imperial Bank of Commerce	18,800	1,220,015	1,243,432	
Manulife Financial Corporation	77,000	1,393,704	1,189,650	
Power Corporation of Canada	44,700	1,507,778	1,140,297	
Brookfield Asset Management Inc. 'A'	28,000	626,900	673,680	
Sun Life Financial Inc.	22,400	664,987	626,080	
National Bank of Canada	10,700	564,437	582,508	
Genworth MI Canada Inc.	22,500	570,033	521,775	
Intact Financial Corporation	10,000	440,933	449,000	
Gluskin Sheff and Associates Inc.	25,000	498,250	425,000	
Canadian Real Estate Investment Trust	15,000	411,166	416,400	
		16,018,824	18,648,630	23.8
Health Care				
GLG Life Tech Corporation	44,377	417,496	355,460	
Biovail Corporation	3,900	77,050	79,833	
		494,546	435,293	0.6
Information Technology				
Research In Motion Limited	26,900	1,939,774	1,407,677	
Open Text Corporation	11,600	453,002	462,492	
Celestica Inc.	35,000	336,838	300,650	
		2,729,613	2,170,819	2.7
Telecommunication Services				
Rogers Communications Inc. 'B'	32,700	413,361	1,136,979	
BCE Inc.	30,800	1,147,300	956,648	
		1,560,661	2,093,627	2.6

STATEMENT OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2010

Canadian Common Stocks (cont'd)	Number of shares	Average cost	Fair value	% of total fair value
Utilities				
Just Energy Income Fund	45,000	\$ 593,602	\$ 569,700	
		593,602	569,700	0.7
Total Canadian common stocks		58,408,703	61,515,203	78.4
Foreign Common Stocks				
United States				
Wal-Mart Stores Inc.	16,018	883,278	816,153	
Cisco Systems Inc.	34,401	804,970	776,999	
The Progressive Corporation	39,098	912,780	776,123	
Microsoft Corporation	28,662	865,873	699,044	
Johnson & Johnson	10,703	700,421	670,072	
ScanSource, Incorporated	24,054	694,678	635,886	
Brown & Brown Inc.	31,071	635,452	629,631	
Burger King Holdings Inc.	35,234	639,836	628,058	
United Technologies Corporation	8,643	525,868	594,353	
Sysco Corporation	18,979	505,656	574,981	
Wells Fargo & Company	20,270	567,847	549,395	
Dell Inc.	42,598	554,157	544,310	
International Business Machines Corporation	4,004	508,687	523,852	
Intel Corporation	24,398	436,437	502,945	
Danaher Corporation	12,738	509,447	501,124	
General Electric Company	29,629	478,310	452,114	
Commercial Metals Company	32,101	609,156	450,008	
Carmax Inc.	20,763	367,168	437,920	
Pfizer Inc.	28,008	461,977	423,221	
Berkshire Hathaway Inc. 'B'	4,871	317,404	411,202	
Nabors Industries Inc.	20,726	432,940	387,250	
Varian Medical Systems Inc.	6,358	358,646	352,473	
Gilead Sciences Inc.	9,116	339,303	331,275	
Tidewater Inc.	8,058	421,833	330,851	
WESCO International Inc.	8,943	263,010	319,298	
Allstate Corporation	8,658	259,997	263,769	
Nucor Corporation	6,263	319,471	254,096	
Illinois Tool Works Inc.	5,782	229,434	253,097	
Johnson Controls Inc.	8,736	260,480	248,729	
AFLAC Inc.	5,470	217,596	247,445	
Motorola Inc.	34,654	240,165	239,591	
Autozone Inc.	1,128	224,973	231,117	
Home Depot Inc.	7,683	203,479	228,362	
Masco Corporation	18,978	224,038	216,336	
American Eagle Outfitters	16,936	222,362	210,658	
Merck & Company Inc.	5,476	160,415	202,888	
Valero Energy Corporation	10,297	241,918	196,213	
Zebra Technologies Corporation 'A'	6,700	165,828	180,175	
The Mosaic Company	4,266	249,949	176,333	
The McGraw-Hill Companies Inc.	5,245	178,133	156,287	
Winnebago Industries Inc.	14,725	185,413	155,207	
GameStop Corporation 'A'	7,000	145,833	139,326	
Alcoa Inc.	11,457	127,762	122,219	
Qualcomm Inc.	3,381	123,995	117,667	
AT&T Inc.	3,408	91,910	87,274	
Total foreign common stocks		17,868,286	17,245,324	21.9
Transaction costs		(108,257)	—	
Forward Contracts (note 2) -Schedule 1			(331,139)	(0.3)
Total portfolio of investments		\$ 76,168,732	\$ 78,429,388	100.0

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

Schedule 1 - Forward Contracts June 30, 2010

Currency to Deliver	Purchase Amount	Currency	Amount	Settlement Date	Contract Price	Market Price	Appreciation/ (Depreciation)
USD	5,280,000	CAD	5,367,331	8-Jul-10	1.01654	1.06045	(231,834)
USD	(1,950,000)	CAD	(2,016,593)	8-Jul-10	1.03415	1.06045	51,283
USD	4,180,000	CAD	4,295,786	22-Jul-10	1.02770	1.06054	(137,253)
USD	400,000	CAD	410,880	22-Jul-10	1.02720	1.06054	(13,334)
							(331,139)

Counterparts have a credit rating of at least A.

1. **Background**

Tradex Equity Fund Limited (“the Fund”) is an incorporated company under the laws of Canada. Tradex Management Inc. is the Manager of Tradex Equity Fund Limited.

2. **Summary of significant accounting policies**

These 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 categorized as held for trading in accordance with CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”. Investments of the Fund that are traded on stock exchanges are valued at the closing bid price (“fair value”) by independent securities pricing services. The value of any investment to which the foregoing principle cannot be applied shall be the fair value thereof determined in such a manner as the Manager from time to time provides.

The net asset value calculated in accordance with Section 3855 is referred to as “Net Assets” for purposes of these statements. A comparison between the Fund’s net assets per share for financial reporting (“GAAP Net Assets”) and the Fund’s net asset value per share for purposes other than financial reporting (transactional “Net Asset Value”) appears in Note 8.

The difference between the fair value of investments and the cost of the investments is included in change in unrealized appreciation (depreciation) on investments and forward contracts 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 difference may be material.

Forward foreign exchange contracts

The Fund enters into forward foreign exchange contracts for hedging purposes only. These contracts are limited to the market value of foreign securities owned by the Fund and quoted in that currency or where the underlying exposure is to that currency. Contracts do not exceed three years duration. On a daily basis, the value of these contracts is the gain or loss that would be realized if the positions were to be closed out. This is recorded in “change in unrealized appreciation (depreciation) on investments”. Upon closing of the contracts, the accumulated gains or losses are reported in “Net realized gain (loss) on sale of investments” in the Statement of Operations.

Foreign exchange

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on each valuation day. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the exchange rates prevailing on the respective dates of such transactions.

Realized and unrealized foreign exchange gains (losses) on investments are included in “realized gain (loss) on sale of investments” and “change in unrealized appreciation (depreciation) on investments and forward contracts”, respectively in the Statement of Operations.

Investment transactions, investment income, expenses and distributions

Investment transactions are recorded on the trade date. Realized gains or losses on security transactions are determined on an average cost basis. Interest income and estimated expenses are accrued daily. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are recognized in the Statement of Operations.

Net assets per share

“Net assets per share” is based on the total net assets outstanding as at the end of the period divided by number of shares outstanding as at that date. The “increase (decrease) per share 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 shares outstanding over the period.

3. **Classification of Financial Instruments**

The classification of the Fund’s financial instruments within the fair value hierarchy as at June 30, 2010 is as follows:

Level 1 Assets – \$78,760,527 consisting of equities that trade in an active market on a recognized stock exchange and \$1,994,157 in cash.

Level 2 Assets – forward foreign exchange contracts with a net unrealized depreciation (loss) of \$331,139, representing their fair value.

There were no transfers between levels during the period ended June 30, 2010.

4. **Management of financial risk**

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

Tradex Equity Fund Limited’s investment objective is to achieve long-term capital appreciation by investing primarily in a diversified portfolio of common shares of Canadian companies plus shares from companies in the United States and other countries. The strategy of the Fund is to build positions in high quality growing companies. To maintain adequate portfolio diversification, thus reducing concentration risk, at least five S&P/TSX Composite Index industry sectors will be represented. Normally, foreign content will be in the range of 15-35% of the total portfolio value (the upper limit on foreign content is 50%).

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. To partially limit currency risk, the Fund has entered into commitments in the form of foreign exchange forward contracts for the sale of U.S. dollars (note 3). The purpose of these contracts is to partially preserve the fair value of Fund assets by offsetting the impact of increases in the Canadian dollar relative to the U.S. dollar (the underlying foreign currency exposure). In the case of a decrease in the Canadian dollar relative to the U.S. dollar foreign exchange forward contracts in place decrease in value while the relative value of the U.S. funds increase.

NOTES TO FINANCIAL STATEMENTS *June 30, 2010 (cont'd)*

The Fund's net foreign currency exposure in Canadian dollars, after giving effect to the notional value of foreign currency forward contracts, at June 30, 2010 and December 31, 2009, is as follows ('\$000):

	Foreign Currency Exposure	Notional value of foreign exchange forward contracts	Net foreign currency exposure
2010 U.S. Dollars	17,365	8,389	8,976
2009 U.S. Dollars	18,893	9,213	9,680

As at June 30, 2010 if the Canadian dollar had strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, net of foreign currency hedges, by approximately \$449,000 (December 31, 2009 – \$484,000). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(b) Credit risk

Credit risk is the risk that counterparty to a financial contract will fail to discharge its obligation in accordance with agreed-upon terms. The Fund is subject to credit risk arising from foreign currency hedging activities. This risk is managed by entering into contracts with creditworthy counterparties subject to minimum credit-rating requirements and by setting limits on the amount of exposure.

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when a fund invests in interest-bearing financial instruments. The majority of the Fund's financial assets and liabilities are non-interest bearing. Accordingly, the Fund is not subject to any significant risk due to fluctuations in the prevailing levels of market interest rates.

(d) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

As at June 30, 2010, almost all of the Fund's Net Assets were traded on global stock exchanges. If equity prices on global stock exchanges had increased or decreased by 10% as at that date, with all other factors remaining constant, net assets could possibly have increased or decreased by approximately \$7,876,000, (December 31, 2009 – \$8,472,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(e) Liquidity risk

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

5. Taxes

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

Tradex Equity Fund Limited qualifies as a mutual fund corporation for federal income tax purposes. The Fund is subject to tax on taxable dividends received from taxable Canadian corporations. This

tax is refundable at a rate determined by a formula when taxable dividends are paid. The Fund is subject to tax on capital gains. However, this tax is refundable if sufficient capital gains are distributed to shareholders either as capital gains dividends or through the redemption of shares. There was no taxable capital gains distribution in 2010 or 2009.

As at December 31, 2009, the Fund had \$1,217,284 in non-capital losses expiring in 2029 and \$670,848 expiring in 2030 and \$12,715,488 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 0.7% 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. To June 30, 2010 and in 2009 there was no expense reduction through such transactions.

7. Share capitalization

Tradex Equity Fund Limited is an incorporated company as opposed to a mutual fund trust. The capital of the Fund is represented by issued redeemable shares 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 share upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of shares, other than minimum subscription requirements. 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 shares during the last two years ending June 30 were as follows:

	2010	2009
Outstanding, beginning of year	7,341,464	7,507,531
Issued	184,729	150,183
Redeemed	(375,389)	(270,398)
Outstanding, end of year	7,150,804	7,387,316

8. Comparison of "Net Asset Value per Share" to "Net Assets per Share"

The reason for the difference between "Net Asset Value per Share" and "Net Assets per Share" relates to the different methods of valuing the Fund's investment portfolio. "Net Asset Value per Share" is based on valuing the Fund's investments at their last traded price for the day on the relevant stock exchange. "Net Assets per Share" is based on valuing the Fund's investments at their closing bid price for the day as supplied by independent securities pricing services.

	June 30, 2010	Dec. 31, 2009
Net Asset Value Per Share (\$)	11.26	11.69
Section 3855 Adjustment (\$)	(0.02)	(0.03)
Net Assets Per Share (\$)	11.24	11.66

9. Future accounting change

Effective Jan. 1, 2011 or Jan. 1, 2012 the Fund plans to adopt International Financial Reporting Standards (IFRS) for purposes of financial reporting. The Manager does not expect that net assets per share will be impacted from the changeover to IFRS.

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