



Tradex

QUARTERLY



First quarter 2006

President's Report to Tradex Investors



Led by the energy and mining sectors, the S&P/TSX Composite Index rose an impressive 7.4% during the first quarter. During the period the Index also reached a new high, exceeding the 12,000 level for the first time and closing the period at 12,111. While not as impressive, the U.S. S&P 500 Index was up a solid 3.7% (in terms of local

currency), which was its biggest first quarter gain since 1999.

As expected, the Bank of Canada increased its key policy overnight interest rate at each of its two policy meetings during the quarter (by a total of one-half of one percentage point to 3.75%). In this environment, yields on Government of Canada bonds rose by roughly one-quarter of one percentage point during the quarter. However, yields on longer-term bonds remain very low by historical standards.

Finally, during the first two months of 2006 the Canadian dollar continued to strengthen, reaching a 14-year high in early March of 88.39 cents versus its U.S. counterpart. However, the dollar gave up all of its gains during the last 4-weeks of the quarter, closing at 85.62 cents U.S., which was down slightly from 85.98 at year-end.

Lower Management Expense Ratios

We are very pleased to inform investors that we were once again able to achieve significant reductions in the management expense ratio (MER) for each of the three Tradex Funds in 2005 as follows:

	2005 MER	2004 MER	2003 MER
Tradex Equity Fund Limited	1.21%	1.29%	1.35%
Tradex Bond Fund	1.28%	1.42%	1.53%
Tradex Global Equity Fund	2.42%	2.71%	3.16%

The Globe and Mail (Globefund) reports that the management expense ratio for the median Canadian equity fund was 2.88 % in 2004 (medians for 2005 are not yet available), more than double that of Tradex Equity Fund Limited. The 2004 median for Canadian bonds funds was 1.99% while the median for global funds was 2.99%. Since the Tradex Funds are operated on an "at cost" or "break

even" basis, the \$126 million (at year-end) Tradex Equity Fund Limited enjoyed greater economies of scale than the smaller \$11 million Tradex Bond Fund and \$8 million Tradex Global Equity Fund.

In 2005, we were able to reduce management expenses by a total of \$155,150 (compared to \$87,740 in 2004) for the three Funds through rebating/waiving a portion of the Tradex management fees. This was made possible due to the higher revenues we received from the increase in assets under administration at Tradex, including revenue from administering third-party mutual funds.

Paper, Paper, Paper

Over the past month or so you have received a lot of paper from Tradex. Under the new requirements set out by the Ontario Securities Commission, Tradex is required to produce a new report twice a year, namely, the "Management Report of Fund Performance". Once you have read this Report, please pass it on to a friend, co-worker or family member who may be interested in mutual funds and investing through Tradex.

Included in the recent mailing to Tradex clients was a "Know Your Client" update form. Also, we have sent to a number of clients a new "Limited Authorization" form. If you haven't already done so, please complete these forms and return them to Tradex as soon as reasonably possible. This will ensure that we meet the regulatory requirements when completing transactions on your behalf.

Thanks to you, Tradex keeps growing

For the first time in our history, assets under administration at Tradex exceeded the \$200 million mark at the end of January. And, they have since grown to \$208 million at the end of March. We sincerely thank all Tradex members for their continued support.

Robert C. White
April 17, 2006



Tradex Equity Fund Limited – Quarterly Review – March 31, 2006

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Equity Fund Limited (TEF)	4.5	4.1	16.8	19.5	7.5	10.5	10.8
S&P/TSX Total Return Index**	8.0	11.1	28.4	26.3	11.7	11.2	—
Median Canadian Equity Fund**	6.9	9.1	26.4	20.7	8.7	9.6	—

*April 1960

**Source: Globe Information Services

The rate of return on the Fund was 4.5% during the quarter while over the past year the rate of return has been 16.8%. In mid-January, the Fund made a \$0.78 per share capital gains distribution, its first capital gains distribution in 4 years.

At quarter end, the portfolio consisted of 29 Canadian stocks, representing 70% of the total portfolio value and 19 foreign stocks, representing the remaining 30% of the portfolio value (26% in U.S. holdings and 4% elsewhere). As at March 31, 2006 the Fund's top 12 holdings were as follows:

Manulife Financial	7.4%	Biovail	3.3%
Royal Bank of Canada	5.9%	HighPine Oil & Gas	3.1%
TD Bank	5.1%	Power Corp.	2.9%
EnCana	4.6%	Telus "A"	2.7%
Thomson Corp.	4.1%	Royal Bank of Scotland (U.K.)	2.7%
Duvernay Oil	3.4%	CIBC	2.7%

During the period, new positions were established in BCE Inc. and Tim Hortons Inc. Portfolio Manager, Phillips Hager and North believe that BCE is attractive on a number of fronts but, most importantly, because it seems poised to increase shareholder value in a variety of ways. In addition, BCE has a dividend yield of 4.7%, which they believe is sustainable. Tim Hortons is viewed as having excellent growth potential. Part of this position was purchased at the IPO issue price while the balance was purchased after it began trading. Also, the Fund increased its positions in Tyco International, Comcast and Wal-Mart Stores. To make room

for these purchases, positions were eliminated in Potash Corp. of Saskatchewan, Cascades Inc., George Weston, UBS and Credit Suisse. Also, positions in Alcan, the TSX Group and Astral Media were trimmed.

Fund performance in the quarter was driven by a number of relatively small contributions with no single investment theme dominating during the period. The largest negative deviation from the S&P/TSX Composite Index was the Fund's relative underweight exposure to the red-hot Materials sector. Within this group, gold and base metals companies performed strongly on the back of the continued rise in precious- and base-metal prices. PH&N continue to avoid this area, as they believe that this cycle – while longer and stronger than average – will ultimately end with lower commodity prices due to new sources of supply and substitution that will result in a more balanced market. In addition, they believe individual company valuations are stretched in many cases, as investors appear increasingly willing to accept the sustainability of record or near record commodity prices.

PH&N's overall strategy is to continue to ensure that the portfolio is sufficiently diversified to mitigate the risks associated with undue portfolio concentration, particularly with respect to very volatile sectors such as energy and mining. While this strategy may result in under-performance during short-term periods, it not only reduces the risk level of the portfolio but it also enhances performance over the long run.



Tradex Bond Fund – Quarterly Review – March 31, 2006

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Bond Fund (TBF)	-0.9	-0.5	3.5	5.3	5.4	6.1	7.1
SCM Universe Bond Total Return Index**	-0.4	0.3	4.9	6.9	7.0	7.7	—
Median Canadian Bond Fund**	-0.8	-0.4	3.2	4.9	4.9	5.9	—

*September 1989

**Source: Globe Information Services

A Tradex Bond Fund investment decreased in value by 0.9% during the quarter. The value of each unit moved from \$10.31 on December 31, 2005 to \$10.11 on March 31, 2006, reflecting both the increase in interest rates during the period and the 11-cent per unit distribution at quarter-end.

During the quarter both the Bank of Canada and the U.S. Federal Reserve increased their key policy setting interest rate by 1/2 of one percentage point (the Bank of Canada to

3 3/4% and the Federal Reserve to 4 3/4%). These moves were consistent with the expectations of market participants and both central banks have indicated that some modest further increase in their policy interest rate may be needed in the period ahead.

As outlined in the table below, yields on Government of Canada bonds increased by roughly 1/4 of one percentage point during the quarter.



Term to Maturity	Yield Dec. 31, 2004	Yield Dec. 31, 2005	Yield Mar. 31, 2006
2 years	2.99%	3.85%	3.99%
3 years	3.19%	3.88%	4.08%
5 years	3.66%	3.92%	4.15%
10 years	4.30%	3.98%	4.26%
30 years	4.83%	4.05%	4.26%

There are three noteworthy points with respect to yields on Canadian bonds. First, the yield curve is very flat by historical standards, with the interest rate spread between two-year and 30-year Government of Canada bonds being only 27 basis points (15 months ago the spread was 184 basis points). Second, yields on longer-term bonds remain very low

by historical standards. And third, interest rates on Canadian bonds are below yields on comparable U.S. bonds by a considerable margin. For example, at quarter-end the yield on 10-year U.S. Government bonds was 4.80%, or 54 basis points higher than the yield on 10-year Canadian Government bonds. While inflation remains well in check (the year-over-year increase in the core CPI is 1.7%), the points noted above lead us to be cautious on the near-term performance of bonds and bond funds in general.

At quarter-end, 34% of the Fund's assets were invested in bonds issued or guaranteed by the Government of Canada, 41% in provincial government bonds and 25% in corporate bonds rated "single A" or better.



Tradex Global Equity Fund – Quarterly Review – March 31, 2006

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	Since inception*	10 years
Tradex Global Equity Fund (TGE)	6.9	-2.0	4.2	19.1	6.6	6.7	—
MSCI World Total Return Index (\$ Cdn)**	6.8	10.7	14.4	14.8	0.6	—	6.1
Median Canadian Global Equity Fund**	7.2	10.8	15.3	14.7	1.1	—	6.3

*May 1999

**Source: Globe Information Services

Most major equity markets recorded solid gains during the quarter. In Europe, the U.K. FTSE 100 Index, French CAC Index, German DAX Index and Swiss Market Index all rose between 5.8% and 10.7%. In Asia, the Japanese market continued upwards as the Nikkei 225 Index rose 5.9%, while Hong Kong's Hang Seng Index rose 6.2%. Among U.S. markets, the Dow Jones Industrial Index and the broader based S&P 500 Index both reported gains of 3.7% while the NASDAQ recorded the largest gain, up 6.1%. (All changes are in terms of local currency).

The Canadian dollar fell slightly versus most major currencies, providing a mild boost to worldwide equity returns in Canadian dollar terms. During the quarter, the value of each unit in the Tradex Global Equity Fund rose by 6.9%, performing slightly better than the Fund's benchmark, the MSCI World Total Return Index, which was up 6.8%.

At quarter end, the Fund's country weighting was as follows:

U.S.	66%	Canada	2%
Japan	13%	Other	9%
U.K.	4%	Cash	3%
Hong Kong	3%	Total	100%

Portfolio Manager City of London Investment Management (CLIM) increased the U.S. market exposure during the quarter to approximately 2/3 of the portfolio (versus 44% at year end) and compared to a 51% weighting in the MSCI World Index. Also, the Fund's position in Japan rose from nearly a zero weighting at the start of 2006 to 13% at quarter-end on buying into the market following a significant correction in February. In other Asian markets, nearly all of the exposure to Hong Kong and Singapore (18% at year-end), was reduced as CLIM 'took profits' following excellent performances in those markets during the first quarter. With respect to industry sectors, CLIM continued to reduce the Fund's exposure to natural resources, as prices for many metals reached multi-year highs.

The Fund performed well in January and February relative to its benchmark, as heavier weightings to the U.S., Hong Kong, and Singapore aided performance. The Fund, however, underperformed during March as it was under weight in the strongly performing U.K. and Euro markets. Performance was aided by a modest position to Emerging Markets, as they continued to outperform most developed equity markets over the quarter. This position was increased to around 8% of the portfolio during the quarter, as CLIM took advantage of a brief correction in Emerging Markets during February.

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



Tradex

mutual funds
for the public sector

Tradex Management Inc.
50 O'Connor Street, Suite 920
Ottawa, Ontario K1P 6L2
Tel: 233-3394 1 800 567-FUND
Fax: 233-8191
e-mail: info@tradex.ca
Web site: www.tradex.ca

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Second, since Tradex is 100% investor owned and operates on an "at cost" basis, all revenue in excess of operating requirements is returned to the Tradex Funds. Thus, the more our revenue grows, the more money we can return to Tradex investors. In 2005, Tradex was able to rebate \$155,150 of its management fees (versus \$87,740 in 2004) to the Tradex Funds thanks to the higher revenue that we received from the increase in assets under our administration. An important part of this increase in revenue was from third-party mutual funds, which directly benefited all Tradex investors.



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