



Tradex

QUARTERLY

Yield on Tradex Investment Savings Account increased to 1.30% effective July 22

Second quarter 2010

President's Report to Tradex Investors



After having recorded gains during the previous four quarters, the Canadian equity market gave up ground during the second quarter of 2010 with the S&P/TSX Composite Index declining 6.2%. As a result, the Canadian market finished the first half of the year down 3.8%. Meanwhile, the U.S. S&P 500 Index was down 11.9% during the quarter

and is now down 7.6% year-to-date.

The Canadian dollar lost ground versus its U.S. counterpart during the period on the back of lower commodity prices and general "flight to quality" demand for the U.S. dollar. The Canadian currency ended the period at 93.93 cents U.S. versus 98.44 cents at the start of the quarter and 95.15 cents at the beginning of 2010.

As expected, given the sharp rebound in the Canadian economy, the Bank of Canada raised the target for its overnight policy interest rate by one-quarter of a percentage point to 1/2 per cent at the beginning of June. However, due to continued concerns about the financial situation in a number of the Euro zone countries and concerns that the recovery of the global economy is beginning to stall, yields on Government of Canada bonds actually declined by 30-60 basis points during the quarter.

New Investor Representative for Tradex Equity Fund Limited

As announced at our annual meeting, we are pleased to inform you that Philippe Baillargeon is the new Investor Representative for Tradex Equity Fund Limited. He is currently a Senior Policy Adviser with Health Canada and prior to that has held several policy management positions in the federal government. Phil has been a Tradex investor for over 20 years and takes the place of Basia Ruta who was elected as a Director of Tradex at this year's annual general meeting.

New Products available through Tradex

In a continuing effort to ensure Tradex assists public sector employees in achieving their financial goals we have expanded our services. We now offer a wide range of life

insurance products in Ontario, acting as an agent for a number of leading Canadian insurance companies. In addition, as outlined in more detail on the back page of this newsletter, Tradex Members can now establish a Qtrade discount broker account through the Tradex website. Please call us for more information on these new services available through Tradex.

Don't forget, Tradex also distributes GICs

If you are interested in purchasing GICs we recommend that you get a quote from Tradex first since we distribute GICs for a number of banks and trust companies. Typically, we can obtain a considerably better rate for you than offered by the major banks. And, of course, GICs are eligible for CDIC insurance coverage of up to \$100,000 per account.

Update on our 50th anniversary \$50 new Member incentive

As most of you already know, to show our appreciation to current Members and to encourage new membership we introduced a special 50th anniversary \$50 client referral incentive earlier this year. An application form for this special incentive is included in the envelope with the mailing of this Quarterly. To date, Tradex has gained over 50 new Members through this incentive program. Please encourage family members, fellow employees and friends to join Tradex so they too can profit from being a Member of this unique organization.

CIBC Mellon to become the trustee for Tradex registered plans

Effective August 3, 2010 CIBC Mellon Trust Company will become the trustee for the registered plans we offer, including the Tradex RRSP, RRIF and TFSA. CIBC Mellon has been the custodian for the Tradex Funds for a number of years and consolidating additional functions with CIBC Mellon will both streamline our administrative processes and reduce costs.

Blair Cooper
July 16, 2010

Tradex Equity Fund Limited – Quarterly Review – June 30, 2010

	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	-8.1	-3.7	10.2	-10.7	-1.9	0.3	9.4
S&P/TSX Total Return Index** (TRI)	-5.5	-2.5	12.0	-3.9	5.5	3.3	—
75% S&P/TSX TRI and 25% U.S. S&P 500 TRI (\$CDN)	-6.0	-3.3	10.1	-5.4	3.2	1.3	—
Median Canadian Focused Equity Fund**	-7.6	-5.6	5.7	-7.4	1.3	3.0	—

*April 1960

**Source: Globe Information Services

During the second quarter an investment in Tradex Equity Fund Limited decreased in value by 8.1% while it has increased in value by 10.2% over the past year.

During the early portion of the quarter 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 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.

At the end of the second quarter, 76% of the Fund's total portfolio value was in Canadian equities, with 21.5% in U.S. equities and the remaining 2.5% in cash. Price declines in the Canadian market were broadly based, with seven of the ten S&P/TSX sectors posting negative returns during the period. The Financials and Information Technology sectors led the decline, with losses of 11.3% and 12.5%, respectively. Since 23% of the Fund's total assets are in Canadian financial stocks this sector represented a major negative influence on the Fund's overall performance during the period. A sharp drop in Research In Motion (RIM) led the decline in the Information Technology sector. Despite continued strong growth, the market has become increasingly worried about RIM's long-term share of the U.S. market in light of competition from Apple and Google.

The strongest-performing sub-sector of the S&P/TSX this quarter was gold. Despite a strong U.S. dollar and subdued inflation in most parts of the world, investors turned to gold as events shook their confidence in the creditworthiness of governments and paper currencies. Gold mining companies represent approximately 10% of the Fund's total assets, including shares in Barrick Gold and Goldcorp, which collectively represent 5% of the total portfolio value.

During the period portfolio manager Phillips, Hager & North (PH&N) added a net of 5 new positions to the Canadian portion of the portfolio, consisting mainly of small cap companies in the

Energy and Mining sectors. This brought the total number of Canadian companies in the portfolio to 82.

The U.S. market was weaker than the Canadian market during the period (U.S. S&P 500 Index down 11.9%), but this was partially offset by the decline in the value of the Canadian dollar, which declined from 98.44 cents U.S. to 93.93 cents U.S. Throughout the quarter approximately 50% of the Fund's U.S. dollar exposure was hedged into Canadian dollars through derivatives known as forward contracts. This partially reduced the currency related gains that the Fund would otherwise have experienced due to the weakness of the Canadian dollar.

As at June 30, 2010 the Fund's 12 largest holdings were as follows:

Royal Bank of Canada	4.6%	Bank of Montreal	2.3%
TD Bank	4.0%	Goldcorp	2.2%
Bank of Nova Scotia	3.3%	Potash Corp of Sask.	1.8%
Barrick Gold Corp.	2.8%	Research in Motion	1.7%
Suncor Energy	2.7%	Canadian National Railway	1.6%
Canadian Natural Resources	2.4%	CIBC	1.5%

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.

Tradex Bond Fund – Quarterly Review – June 30, 2010

	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	2.6	3.5	5.9	5.8	3.7	5.2	6.6
DEX Universe Bond Total Return Index	2.9	4.2	6.9	6.9	4.9	6.6	—
Median Canadian Bond Fund**	2.4	3.6	6.5	5.1	3.2	4.7	—

*September 1989

**Source: Globe Information Services

An investment in the Tradex Bond Fund increased in value by 2.6% during the second quarter while it has increased by 5.9% over the past year.

In line with the signals it had given to the market earlier, the Bank of Canada raised its overnight interest rate target by one-quarter of a percentage point to 1/2 per cent at its June 1



policy meeting. However, in its press release, the Bank underscored that the global economic recovery is proceeding at an increasingly uneven pace across countries and that in most advanced economies the recovery remains heavily dependent on the extremely high level of monetary and fiscal stimulus. Thus, the tone of the press release announcing the rate hike was much less “hawkish” with respect to further rate increases than had been expected by market participants. Meanwhile, the U.S. Federal Reserve maintained its overnight target rate range at 0 to 1/4 per cent and reiterated its view that economic conditions in the U.S., including subdued inflation trends and stable inflation expectations, are likely to warrant exceptionally low policy rate levels for an extended period.

The increasingly unsettled tone in financial markets during the period led to a sharp decline in equity markets, but also to a strong rally in “safe haven” Government of Canada bonds, where yields declined in the range of 30-60 basis points over the period. Also of note, interest rate spreads between corporate bonds and Government of Canada bonds (credit

spreads) widened somewhat during the period reflecting the increased uncertainty in credit markets generally, as well as the “flight to quality premium” placed on Government of Canada bonds.

The following table shows the recent movement in Government of Canada bonds.

Term to Maturity	Yield Dec. 31, 2009	Yield Mar. 31, 2010	Yield June 30, 2010
2 years	1.47%	1.73%	1.39%
3 years	1.92%	2.03%	1.75%
5 years	2.77%	2.90%	2.32%
10 years	3.61%	3.56%	3.08%
30 years	4.08%	4.07%	3.65%

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

During the period there was very little change in the asset allocation among the categories of bond issuers. At quarter-end, the portfolio weighting to Government of Canada bonds stood at 33% while the weighting to provincial bonds and corporate bonds stood at 28% and 39%, respectively.

Tradex Global Equity Fund – Quarterly Review – June 30, 2010

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Global Equity Fund	-7.1	-6.2	4.6	-11.8	-4.6	-0.3	1.4
MSCI World Total Return Index (\$Cdn)**	-8.6	-8.4	1.1	-11.0	-2.3	-3.8	—
Median Canadian Global Equity Fund**	-8.6	-8.1	2.4	-11.1	-2.6	-3.2	—

*May 1999

**Source: Globe Information Services

During the second quarter, the value of each unit of Tradex Global Equity Fund decreased by 7.1% while it has increased by 4.6% over the past year.

Global equity markets were weak during the quarter, with the Morgan Stanley Capital International (MSCI) World Index falling 8.6% in Canadian dollar terms, as anxiety over the potential for sovereign debt defaults in Europe weighed heavily on market sentiment. The epicenter of concerns continued to be Greece although Spain, Portugal and to a lesser extent, Italy and France, also found themselves under the microscope. Depressing markets further was a weakening of economic data, particularly in the U.S., where the lack of job creation and continued weakness in the housing market are increasingly undermining the case for a sustainable economic recovery. The Canadian dollar had a mixed quarter. While it gained approximately 5% against the Euro this was more than offset by a decline of approximately 9% versus the Japanese yen, 4.5% versus the U.S. dollar and 2.5% versus the British pound.

In terms of local currencies, key European equity markets were typically down in the range of 10-15% during the quarter, with the London and Paris markets both down 13%. One key exception was Germany, where the Frankfurt DAX Index was down a much more modest 3%. In Asia, Japan's Nikkei 225 Index was down

15% while Hong Kong's Hang Seng Index was down 5%. The Singapore market declined only 2% while the Korean Index was up 0.3%. Turning to North America, the U.S. S&P 500 Index was down 12% while the Toronto Composite Index dropped 6%. Emerging markets again outperformed their developed counterparts with strong performances from southeast Asia countries such as Indonesia, Philippines, Thailand and Malaysia.

Over the course of the quarter, the portfolio weighting to the U.S. market declined from 45% to 40% while the weighting to Europe was essentially unchanged at 27%. Asian exposure was increased to 25% from 20%. Total exposure to emerging markets increased to about 10%, from 5%, while cash represented 2% of the total portfolio value at the end of the quarter.

Looking ahead, City of London Investment Management (CLIM) remains optimistic that the global economic recovery will be sustained, although the pace of the recovery will likely be weak by historical standards. CLIM expects global monetary policy to remain loose to compensate for the fiscal tightening measures that will be needed to address budget deficits. While recent market weakness has made valuations more attractive, CLIM notes that the global economy continues to face significant headwinds that will limit growth prospects in the immediate future.

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 Management Inc.
50 O'Connor Street, Suite 920
Ottawa, Ontario K1P 6L2
Tel: 613-233-3394 1 800 567-3863
Fax: 613-233-8191
e-mail: info@tradex.ca
Web site: www.tradex.ca

SWITCH, SIMPLIFY AND SAVE

Tradex offers Members access to a broad range of products and services to meet your financial needs. By centralizing your needs through Tradex you can simplify your financial picture and often achieve significant savings.

1. Holding All of your Mutual Funds through Tradex.

Tradex Members may purchase and hold through Tradex most of the over 5,000 mutual funds available to Canadian investors, including funds offered by Royal Bank, TD Bank, Dynamic, Fidelity, Franklin Templeton and Northwest-Ethical (to name just a few).

The benefits of dealing through Tradex are:

Tradex saves you money! When you purchase mutual funds through Tradex there are no sales commissions, deferred sales charges, account set-up fees or transaction fees. This includes those mutual funds where you would normally pay a sales commission or deferred sales charge if they were purchased elsewhere.

If you currently own mutual funds purchased elsewhere (at a bank, broker, discount broker or mutual fund dealer) you can transfer them into an account at Tradex at no cost (we'll pay the transfer fee on your behalf).

There are no annual RRSP or RRIF fees when you deal through Tradex since we pay the annual administrative fees for almost all self-directed plans. Canadian Western Trust self-directed accounts can be established to hold mutual funds, GICs, individual stocks and bonds.

We'll give you great service and expert advice just like the service we provide for the Tradex Funds. Also, you'll receive a quarterly consolidated fund statement.

Since there are no commissions or deferred sales charges, you have complete flexibility when you want to sell your units or move your money from one investment to another. No other mutual fund dealer provides you with greater freedom.

2. Purchasing Life Insurance Products through Tradex

Tradex is now registered to provide life insurance products in the province of Ontario, acting as an agent for a number of leading Canadian insurance companies. Life insurance

products allow you to manage risk especially as it relates to possible tragic events. Therefore, it is an integral part of overall financial planning. The key products are the following:

Term Life Insurance — Tradex can help you get the level of protection you need and the premium you can afford by customizing your Term Life Insurance plan's duration and coverage. Several Tradex Members have already achieved substantial savings and additional protection by replacing their bank provided mortgage and loan insurance with term life insurance through Tradex.

Segregated Funds — Tradex offers segregated fund options, which are professionally managed pooled funds similar to mutual funds. Segregated funds typically provide a principal guarantee upon maturity or death.

Annuities — Annuities are a way to ensure income after retirement or when an income stream needs to be guaranteed. Tradex has access to a range of annuity plans that can be customized to your needs and provide regular guaranteed payments to help fund on-going expenses.

Guaranteed Minimum Withdrawal Plans — Guaranteed Minimum Withdrawal Plans are similar to annuities but they allow room for some growth while protecting the investor against risk. Tradex can custom-tailor this type of plan to meet your specific needs.

3. Establishing a Qtrade discount broker account through the Tradex website

Tradex is pleased to partner with Qtrade Investor – one of Canada's leading independent online brokerage firms. (The Globe and Mail has rated Qtrade Investor the #1 online broker in Canada for the past four years.) Qtrade Investor offers you, among other things:

Access to a full range of investments including stocks, options, and fixed income securities.

Low trading commissions.

Easy electronic funds transfer to and from your chequing account.

Comprehensive investment tools and research, news, real-time quotes, portfolio watchlists, email alerts and more.

**To learn more about any of these services please give us a call
at (613) 233-3394 or 1-800-567-3863**