



Tradex

QUARTERLY



Third quarter 2009

President's Report to Tradex Investors



For the second quarter in a row the Canadian equity market recorded very solid gains, with the S&P/TSX Composite Index moving 9.8% higher. Year-to-date, the Canadian Index is up 26.8%, after having been down 3.0% at the end of the first quarter. The U.S. market recorded even stronger gains during the quarter, with the S&P 500 Index

moving ahead 15.0%. However, year-to-date the U.S. market continues to lag the Canadian market, with the U.S S&P 500 Index up 17.0%.

Central banks continued to hold their overnight policy interest rate at historically low levels, with the Bank of Canada's policy rate target at 25 basis points while the U.S. Federal Reserve's rate is in the range of zero to 25 basis points. Both central banks also reiterated that they are committed to holding their policy rate at exceptionally low levels for an extended period of time (in Canada, at 25 basis points until the end of the second quarter of 2010). In this environment, yields on Government of Canada bonds were little changed over the quarter and remain at extremely low levels by historical standards.

Meanwhile, the Canadian dollar continued to move higher, closing the period at 93.40 cents U.S. versus 85.98 cents at the start of the quarter. This strength reflects a continuation of commodity prices moving higher and generalized weakness in the U.S. dollar.

Blair Cooper to become President of Tradex

On behalf of the Board of Directors, I am pleased to announce that Blair Cooper will become President of Tradex, upon my retirement, on January 1, 2010. Blair joined Tradex in 2000 following years of increasing responsibilities with the Bank of Montreal. He holds a B.Sc. degree from the University of Western Ontario and a MBA from Queen's University. Blair is also a CFA charterholder. Please join me in congratulating Blair on his appointment and wishing him well on this new and exciting challenge.

I wish to thank everyone associated with Tradex for the wonderful support that they have given me over the past seven years. While I'll be retiring as President, I'll continue as an Officer of Tradex, working on a part-time basis over the next number of months.

Tradex will reach its 50th anniversary in 2010

Founded in 1960, Tradex will reach its 50th anniversary in 2010. Over the years, we've grown and prospered as a result of the very loyal support of our Members, including the fact that almost all new Tradex Members come through referrals from existing Members, rather than through expensive advertising programs.

With our 50th anniversary approaching, to show our appreciation to current Members and to encourage new membership we're introducing a special client referral incentive. For each new client a Tradex Member refers to us, the existing Member and the new Member will each receive \$25. Alternatively, if the existing Member prefers, we'll credit the entire \$50 to the new Member. Please encourage family members, fellow employees and friends to join Tradex so they too can profit from being a Member of this unique organization that operates on an at-cost basis solely for the benefit of current and retired public sector employees and their families.

Positive feedback on our re-designed website

I would like to thank the many Tradex Members who have given us feedback on our new website, which has been overwhelmingly positive. As mentioned in our last Quarterly, the new site, at www.tradex.ca, provides much more information than in the past. If you haven't already done so, we encourage you to refer to our new site on a regular basis and to also tell anyone who might be interested in Tradex about it.

Robert C. White
October 15, 2009

Tradex Equity Fund Limited – Quarterly Review – September 30, 2009

	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	9.1	31.4	-4.3	-6.6	1.0	3.7	9.5
S&P/TSX Total Return Index** (TRI)	10.6	32.7	0.5	1.9	8.3	7.3	—
75% S&P/TSX TRI and 25% U.S. S&P 500 Index (\$CDN)	9.6	28.0	-1.1	-0.3	5.7	4.6	—
Median Canadian Focused Equity Fund**	8.9	26.5	-0.6	-2.3	4.6	5.4	—

*April 1960

**Source: Globe Information Services

During the third quarter an investment in Tradex Equity Fund Limited increased in value by 9.1% and year-to-date the increase has been 26.5%. However, given the huge decline in equity markets during the fourth quarter of 2008, it has decreased in value by 4.3% over the past year.

Investors will notice that we have added a second benchmark in the above table that tracks the performance of the Fund. With the renewal of the Fund's prospectus in May 2009, the normal range for investing in foreign stocks was set at 15-35%, with the "neutral" position being 25%. The rationale for investing in foreign stocks continues to be based on two key points. First, the Canadian market is very concentrated in commodity stocks, namely energy and mining companies. Foreign holdings provide valuable diversification thus reducing the concentration risk inherent in the rather narrow Canadian equity market. Second, it is believed that the Fund's rate of return over the long run will be enhanced by selectively investing in world-class non-Canadian companies in high-growth sectors, such as technology, pharmaceuticals and consumer staples that are otherwise less available to investors in the Canadian equity market.

The foreign portion of the portfolio performed very well during the quarter in U.S. dollar terms (the S&P 500 Index was up 15%). However, this performance was dampened by the strength of the Canadian dollar. In response to this, and as detailed in the Fund's prospectus renewal, a new program was initiated during the quarter to offset foreign currency risk by hedging a portion of the U.S. dollar exposure into Canadian dollars through derivatives known as forward contracts. In two steps, approximately 50% of the value of the U.S. portfolio was hedged into Canadian dollars. Thus, a portion of the currency related losses that the Fund would otherwise have experienced, due to the strength of the Canadian dollar, was eliminated through this program. Going forward, the Fund's neutral strategy will be to hedge 50% of the U.S. currency exposure, while portfolio manager Phillips Hager and North (PH&N) will have the latitude to vary the currency hedge from zero to 100% based on tactical considerations.

In Canada, the market's advance in the quarter was a continuation of the second quarter's sharp acceleration. Led

by the economically sensitive Financials (banking), Materials (mining), Information Technology and Industrials sectors, nine out of the ten Canadian industry sectors posted positive returns in the quarter. As was the case in the second quarter, defensive and safe haven areas such as Telecommunication Services, Utilities and Consumer Staples continued to lag.

The Fund benefited from its large position in the Canadian Financials sector, which represents 24.8% of the total portfolio value and 32.5% of the value of Canadian portion of the portfolio. Six of the Fund's largest positions are in this sector, including the Fund's two largest positions, the Royal Bank of Canada and TD Bank, which collectively represent just under 10% of the total portfolio value as seen in the table below.

As at September 30, 2009 the Fund's 12 largest holdings were as follows:

Royal Bank of Canada	5.2%	Manulife Financial	2.2%
TD Bank	4.7%	Goldcorp.	2.2%
EnCana Energy	2.9%	Bank of Nova Scotia	2.2%
Suncor Energy	2.7%	Canadian Natural Resources	1.9%
Research in Motion	2.4%	Potash Corp of Sask.	1.8%
Bank of Montreal	2.4%	CIBC	1.8%

Over the quarter the Fund added 17 new positions to the Canadian portfolio including a number of small-cap stocks in the Energy and Materials sectors. These two sectors, which performed well during the quarter, now represent 34.5% of the total portfolio value versus 29.4% at the beginning of the quarter. This includes a number of gold mining stocks that represented approximately 8% of the total portfolio value at quarter-end versus approximately 5% at the beginning of the period.

Looking ahead, while valuations are less attractive than they were several months ago, PH&N remain enthusiastic about the outlook for equities due to improving fundamentals. It is difficult to predict the trajectory of the global economic recovery; however, they are finding stocks that should provide excellent appreciation potential as long as the market does not slip back into a credit market freefall. PH&N continue to be particularly focused on valuations and prospects for fundamental improvement, and believe they are finding good value within most sectors.



Tradex Bond Fund – Quarterly Review – September 30, 2009

	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	2.8	3.2	8.6	4.3	4.6	5.2	6.7
DEX Universe Bond Total Return Index**	2.7	4.0	10.3	5.5	5.9	6.2	—
Median Canadian Bond Fund**	2.8	4.5	8.8	3.6	4.0	4.7	—

*September 1989

**Source: Globe Information Services

An investment in the Tradex Bond Fund increased in value by 2.8% during the third quarter while it has increased by 8.6% over the past year.

During the quarter the Bank of Canada maintained its overnight policy interest rate target at an historical low 25 basis points and reiterated its intention to hold the target at that level until the end of the second quarter of 2010. Similarly, the U.S. Federal Reserve maintained its policy target rate in the range of zero to 25 basis

Term to Maturity	Yield Dec. 31, 2008	Yield June 30, 2009	Yield Sept. 30, 2009
2 years	1.09%	1.20%	1.26%
3 years	1.32%	1.84%	1.89%
5 years	1.69%	2.46%	2.57%
10 years	2.69%	3.36%	3.31%
30 years	3.45%	3.86%	3.84%

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

points and indicated that it anticipates the target will remain at exceptionally low levels for an extended period of time. In this environment, yields on Government of Canada bonds were little changed over the quarter and remained at extremely low levels, as seen in the table to the left.

Over the quarter interest rate spreads between corporate bonds and Government of Canada bonds (credit spreads) continued to narrow, reflecting the continued improvement in the tone of credit markets generally, as well as renewed signs of economic growth in Canada. In response to this trend, Portfolio Manager TD Asset Management further reduced the overall allocation to government bonds. Thus, at quarter-end the weighting to Government of Canada bonds stood at 31% versus 39% at the end of the previous quarter, while the weighting to provincial government issues was maintained at 31%. On the other hand, the weighting for corporate bonds rated “single A” or better was increased to 38% from 30%.

Tradex Global Equity Fund – Quarterly Review – September 30, 2009

	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 (TGE)	10.8	27.0	6.2	-6.5	-2.6	1.7	2.1
MSCI World Total Return Index (\$Cdn)**	8.4	21.1	-0.5	-5.1	0.7	-1.8	—
Median Canadian Global Equity Fund**	8.5	22.5	-1.5	-5.6	0.0	-0.8	—

*May 1999

**Source: Globe Information Services

During the third quarter, the value of each unit of Tradex Global Equity Fund increased by 10.8% while the year-to-date increase has been 20.7%. The return over the past year has been 6.2% and, thus, the Fund has outperformed its benchmark, the Morgan Stanley Capital International World Index, by a wide margin over this period.

For the second quarter in a row, stock markets around the world recorded very solid gains as conditions in credit markets improved and there were signs that an economic recovery is underway. European markets, as a group, were the best performers during the quarter with the German DAX Index jumping 18%, France's CAC 40 Index increasing 21%, the Swiss market index up 17% and the U.K. FTSE 100 Index up 21%. In Asia the Singapore Strait Times Index was up 15% and Hong Kong's Hang Seng Index rose 14%, while Japan's Nikkei 225 Index gained a modest 2%. Finally, the U.S. market (S&P 500 Index) was up 15% over the quarter (all in terms of local currency). The emerging markets index was also strong, increasing by 20% in terms of U.S. dollars. However, given the strength of the Canadian dollar during the

period, foreign equity returns were not nearly as large in terms of Canadian dollars (for example, the Canadian dollar increased from 85.98 cents U.S. to 93.40 cents U.S., an increase of 8.6%).

The portfolio weighting to the U.S. market was essentially unchanged, ending the period at 43%. However the weighting to Asia was reduced from 28% to 20% with the funds being redeployed to Europe where the allocation increased from 16% to 24%. Exposure to emerging markets was further trimmed and now stands in the 5-7% range.

Portfolio manager City of London Investment Management (CLIM) continues to position the portfolio relatively defensively and believes that equity markets have likely run too far, too fast and are discounting a stronger economic recovery than may materialize in developed countries. CLIM is therefore striking a delicate balance between remaining relatively fully invested to markets on the one hand while tilting the portfolio towards more defensive holdings that should provide a degree of protection if markets fall.

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.



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The Tradex Systematic Savings Plan

A great way to turn your savings into a valuable investment.

Everyone has something special to save for...a new home, a child's education, a secure retirement. Various savings plans, including the Canada Savings Bond Payroll Savings Plan, have helped millions of Canadians save for the important things in life. For individuals with a long-term investment horizon, we believe that the Tradex Systematic Savings Plan is second to none. That's because the Tradex Savings Plan not only makes saving easier, but it also offers you a great choice of investments.

We believe that, in line with historical trends, equity markets will move higher over time and that investors will be rewarded accordingly. But, as always, markets will be volatile over shorter time periods. That's why we are so keen on promoting a "dollar-cost-averaging" approach to investing.

With dollar-cost-averaging, you invest the same amount at regular intervals. When unit prices are low, more units are purchased. Conversely, when unit prices are higher, fewer units are purchased. Thus, dollar-cost-averaging helps smooth out the market swings faced by all investors.

Joining is easy:

- ✿ Simply complete a Tradex application form and a pre-authorized debit form for money to be withdrawn from your bank account.
- ✿ Then decide how much you want to save each period (the minimum investment is \$100 which can be made on a bi-weekly, monthly or quarterly basis).
- ✿ The rest will happen automatically.

A great choice of investments:

- ✿ You have a great choice of how to invest your savings, including our flagship Canadian equity fund, our highly regarded global equity fund or our conservative bond fund. Also available are the Tradex Investment Savings Account (a high-yield daily interest account) and mutual funds offered by almost all of the other mutual fund companies in Canada.

Complete flexibility:

- ✿ There are no commissions and no administrative charges. This gives you complete freedom with respect to your investments.
- ✿ Your savings can be invested in an RRSP account, a Tax-Free Savings Account (TFSA), a Registered Education Savings Plan (RESP), or a non-registered account (or any combination of accounts).
- ✿ You can also make lump sum purchases at any time over the phone.
- ✿ You can cancel your regular installments and/or redeem your units at any time (the proceeds will be deposited in your bank account within 48 hours).
- ✿ You'll receive a quarterly statement updating your holdings and transactions.

To take advantage of this Plan, give us a call.

Over the years, hundreds of Tradex investors have built a brighter financial future for themselves and their families through the Tradex Systematic Savings Plan. To join them, call us at (613) 233-3394 or 1-800-567-3863 and we'll send you the necessary forms or arrange an appointment. Or during business hours, you are always welcome to visit the Tradex Office in downtown Ottawa at Suite 920, 50 O'Connor Street (in the Sun Life Centre).

**For more information about Tradex, see our web site at
www.tradex.ca**

