

2017

# Tradex GLOBAL EQUITY Fund



## Annual Management Report of Fund Performance and Annual Financial Statements



December 31, 2017

You may get a copy of the Fund's Simplified Prospectus, Annual Information Form, Fund Facts, 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**.

**Tradex Management Inc.**  
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Ottawa, Ontario  
K1P 6A4

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## TRADEX GLOBAL EQUITY FUND STATEMENT OF MANAGEMENT'S RESPONSIBILITY

To our unitholders,

The accompanying Management Report of Fund Performance and Financial Statements have been prepared by Tradex Management Inc., the Manager and Trustee of **Tradex Global Equity Fund**, and approved by the Manager's Board of Directors. The Fund's Manager is responsible for the information and representations contained in the Management Report of Fund Performance and Financial Statements. The Management Report of Fund Performance in the front section of this document is unaudited, whereas the Financial Statements appearing in the second section are audited.

Tradex Management Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies that management believes are appropriate for the Fund are described in Note 2 to the Financial Statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the Manager-Trustee of the Fund. They have audited the Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the Financial Statements.

Blair Cooper  
President and Chief Executive Officer  
Tradex Management Inc.

P.E. Charko  
Chairman of the Board  
Tradex Management Inc.

March 22, 2018



# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

for the year ended December 31, 2017

## I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objectives and Strategies

The Fund's objective is to achieve long-term capital appreciation by investing primarily in closed-end fund companies (CEFs) managed by some of the world's leading investment firms whose investments are principally in a diversified portfolio of equity securities of issuers based in any country.

The Fund's investment approach involves deciding which of the world's stock markets, industry sectors and currencies have the best potential rate of return and allocating assets accordingly. The Fund's asset weighting by country (and industrial sector) can change rapidly and can also deviate substantially from the representative country weighting for the Fund's benchmark, the MSCI World Total Return Index. The discounts at which most CEFs trade form a meaningful element in the portfolio strategy. The Fund has obtained exemptive relief from Canadian securities regulators to enable the Fund to purchase or hold these foreign CEFs.

Diversifying across global markets allows gains in one country to be balanced by losses in another, thereby reducing risk. The Americas, Europe and Asia are all represented in the portfolio, with emerging markets up to 20% of total investments. Funds representing a single country cannot account for more than 35% of the portfolio, with the exception of the United States. The Fund also invests in Index Participation Units (IPUs or ETFs) which mirror an index and up to 25% may be invested in shares of companies that are not CEFs listed on a recognized stock exchange.

Derivatives may be used for foreign currency hedging purposes only. Should market conditions temporarily deteriorate, up to 50% of the portfolio could be converted to cash.

### Risk

There were no significant changes to the investment objectives and strategies that affected the Fund's overall risk level during the reporting period. The risks of investing in the Fund remain as discussed in the Fund's most recent Simplified Prospectus.

The Fund is suitable for investors who have a medium to long-term investment horizon, who want to invest in a broad range of foreign stocks and who can handle the ups and downs of the stock market.

### Results of Operations

An investment in Tradex Global Fund increased in value by 23.9% during 2017 compared to an increase of 15.0%, in terms of Canadian dollars, in its benchmark, the MSCI World Total Return Index.

Equity markets around the world continued to romp higher in the first quarter of 2017 as the inauguration of the Trump Administration unleashed a wave of positive sentiment stemming from expectations of fiscal stimulus, a reformed US tax code and reduced regulation of business. Global equity markets continued to march higher in the

second quarter as a relatively benign economic backdrop and solid corporate earnings growth combined to support investor's animal spirits. Data from Europe was particularly strong, and sentiment was further improved by the victory of Emmanuel Macron over Marine Le Pen in the French presidential election. A resurgent Canadian dollar proved a headwind for extending this year's gains from global equity markets during the third quarter. The loonie was stronger against all major currencies but particularly so against the all-important US dollar. The debate over changes to the US tax code was the main focus of markets during the fourth quarter. The eventual outcome was greeted with enthusiasm by investors as the centerpiece reduction in corporate tax rates from 35% to 21% should handily increase corporations' cash on hand.

In local currency terms, the movement in key equity markets around the world during 2017 was as follows. Japan's Nikkei 225 Index ended the year up 18.9%. The German DAX Index was up 12.8%, the U.K. FTSE 100 Index was up 7.6%. In North America, the S&P 500 Index was up 19.4%, the Dow Jones Industrial Average rose 25.1% while the NASDAQ rose 28.2%. The resource heavy Canadian market lagged as the Toronto S&P/TSX Composite Index was up 6.0% for the year. The MSCI Emerging Markets Index closed the year up 34.3%.

There was again volatility in currency rates during the year, the Canadian dollar after rising in the first quarter fell from 74.48 cents US at the start of the year to a low for the year 72.76 cents US in early May then rebounded to a high of 82.45 in September before closing for the year of 79.71 cents US, an increase of 7% for the year. Currency movements were less of a factor in the performance of Canadian global funds as the Canadian dollar strengthened by 3% versus the Japanese yen while the Euro weakened by 7% and the British pound fell 3% during 2017.

Portfolio manager City of London Investment Management (CLIM) made significant changes in the Fund's region/country asset allocation during 2017. The portfolio weighting to the US market increased from 41% to 48% over the year, in contrast to a 60% benchmark weighing for the US market. Exposure to developed continental Europe declined from 25% to 20% while exposure to the U.K. fell from 10% to 6% at year-end and exposure to Japan was maintained at 13%. Total exposure to emerging markets increased over the year from 4% to 5% while the exposure to Canada remained 1% at year-end. The Fund outperformed its benchmark index for 3 of the 4 quarters of the year outperforming the index by 8.9% after fees for the year as a whole. Attribution analysis for the year indicated the relative performance of the selected closed-end funds added 3.1% for the year, country allocation cost 0.4%, while currency added 1.5% with a 5.3% positive contribution from discount movements.

At year-end the net asset value of the Fund stood at \$35 million compared to \$26.8 million at the end of 2016. There was an increase in the number of units outstanding during the year due to both the reinvested distributions and net new purchases of the Fund. The Fund's management expense ratio (MER) decreased significantly to 2.76% in 2017 from 2.92% in 2016 including the

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

1.03% weighted average expenses of the underlying closed-end funds which were more than completely offset by the 5.30% movement in discounts during the year (Globefund reports that the median MER for Global equity funds is 2.80%). Over the past few years the direct expenses having declined to 1.73% for 2017 from 2.26% in

2013. This was achieved in part because Tradex Management Inc. was able to rebate a total of \$136,504 in its management fees to the Fund in 2017 versus \$99,892 in 2016. At the end of the year a distribution of \$2.09 per unit was paid to unitholders primarily representing net capital gains realized during the year.

### II. FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

#### The Fund's Net Assets per Unit (1) For the five years ended December 31

|   | 2017      | 2016      | 2015      | 2014      | 2013      |
|---|-----------|-----------|-----------|-----------|-----------|
| Net assets per unit, beginning of year        | \$ 15.32  | \$ 15.14  | \$ 15.53  | \$ 13.87  | \$ 10.57  |
| Increase (decrease) from operations:          |           |           |           |           |           |
| Total revenue                                 | \$ 0.60   | \$ 0.55   | \$ 0.86   | \$ 0.65   | \$ 0.31   |
| Total expenses                                | \$ (0.35) | \$ (0.38) | \$ (0.47) | \$ (0.40) | \$ (0.32) |
| Realized gains (losses) for the year          | \$ 2.03   | \$ (0.03) | \$ 2.66   | \$ 1.57   | \$ 1.27   |
| Unrealized gains (losses) for the year        | \$ 1.35   | \$ 0.45   | \$ (0.78) | \$ 0.11   | \$ 2.04   |
| Total increase (decrease) from operations (2) | \$ 3.63   | \$ 0.59   | \$ 2.27   | \$ 1.93   | \$ 3.30   |
| Distributions to investors:                   |           |           |           |           |           |
| From investment income                        | \$ 0.27   | \$ 0.40   | \$ 0.39   | \$ 0.21   | \$ —      |
| From dividends                                | \$ —      | \$ —      | \$ 0.01   | \$ 0.06   | \$ —      |
| From capital gains                            | \$ 1.82   | \$ —      | \$ 2.30   | \$ —      | \$ —      |
| Total Distributions (3)                       | \$ 2.09   | \$ 0.40   | \$ 2.70   | \$ 0.27   | \$ —      |
| Net assets per unit, end of year              | \$ 16.90  | \$ 15.32  | \$ 15.14  | \$ 15.53  | \$ 13.87  |

(1) This information is derived from the Fund's audited annual financial statements. As of 2014, the Fund adopted International Financial Reporting Standards (IFRS), whereby net assets are identical for pricing and accounting, and the 2013 values have been restated under IFRS.

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

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

| Ratios and Supplemental Data                               | 2017      | 2016      | 2015      | 2014      | 2013      |
|--|-----------|-----------|-----------|-----------|-----------|
| Total net asset value, end of year (000's)                 | \$ 34,989 | \$ 26,823 | \$ 25,881 | \$ 19,893 | \$ 15,782 |
| Weighted average net asset value (000's)                   | \$ 31,678 | \$ 25,210 | \$ 23,996 | \$ 18,114 | \$ 13,146 |
| Number of units outstanding, end of year                   | 2,070,683 | 1,750,413 | 1,709,043 | 1,280,683 | 1,137,716 |
| Management expense ratio (1)                               | 2.76%     | 2.92%     | 3.05%     | 3.12%     | 2.26%     |
| Management expense ratio before waivers or absorptions (1) | 3.19%     | 3.32%     | 3.36%     | 3.54%     | 2.67%     |
| Trading expense ratio (2)                                  | 0.19%     | 0.42%     | 0.28%     | 0.31%     | 0.12%     |
| Portfolio turnover rate (3)                                | 61.74%    | 107.47%   | 103.29%   | 80.47%    | 90.68%    |
| Net asset value per unit, end of year                      | \$ 16.90  | \$ 15.32  | \$ 15.14  | \$ 15.53  | \$ 13.87  |

(1) Management expense ratio is based on total expenses (excluding broker commission and other portfolio transaction costs) of the fund and the underlying funds, where applicable (commencing 2014), for the year and is expressed as an annualized percentage of daily average net asset value during the year.

(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 year.

(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 year. The higher the fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of a fund.

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

### Related Party Transactions and Management Fees

Tradex Management Inc. is the Manager of the Fund, and, as such, is responsible for directing the business, operations and affairs of the Fund. It performs this duty for an annual fee of 0.6% of the Fund's net asset value, calculated and accruing daily. This amounted to \$209,251 in 2017 (including HST) and represents 29% of the total expenses paid by the Fund. Many of the functions involved in operating the Fund are contracted out to leading professional firms in the mutual fund industry in Canada. Therefore, one of the key duties of the Manager is to negotiate and manage these contracts. Tradex Management Inc. is also the principal distributor of the Fund and, as such, is responsible for most of the communications with the Fund's unitholders and potential unitholders. Tradex Management Inc. receives no additional fees or commissions for being the Fund's principal distributor and pays a trailer fee of 0.3% from its management fee to 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. In 2017, \$136,504 in expenses were reduced for the Fund through such transactions.

### Other Expenses

The other expenses incurred by the Fund amounted to \$569,525 and were paid to third party suppliers, governments and regulatory authorities. These represent investment advisory fees (paid to City of London Investment Management), administrative fees paid for fund accounting, the registrar function and other related activities (paid to CIBC Mellon Global Securities Services Company, FundSERV Inc. and various other suppliers), costs of the independent review committee, audit fees (paid to PricewaterhouseCoopers LLP), custodian fees (paid to CIBC Mellon Trust Company), registration fees and expenses paid to the 13 securities regulatory authorities in Canada, transaction costs (paid to various suppliers) and foreign withholding taxes (paid to appropriate foreign governments). A listing of the various expenses paid by the Fund appears in the audited Statement of Comprehensive Income on page 8.

## III. PAST PERFORMANCE

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

- are calculated as of December 31 of each year;
- assume all distributions made by the Fund were reinvested without charge to purchase additional units of the Fund; and
- are not reduced by any income taxes payable by you. You will be taxable on the distributions of net income even if you have reinvested them to purchase additional units, unless your investment is held in a registered tax plan.

The past performance of the Fund does not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

This bar chart shows the Fund's annual performance in each of the past ten years. The chart shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each year, and how the performance varied from year to year.



## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE (continued)

### III. PAST PERFORMANCE (cont'd)

#### Annual Compound Returns

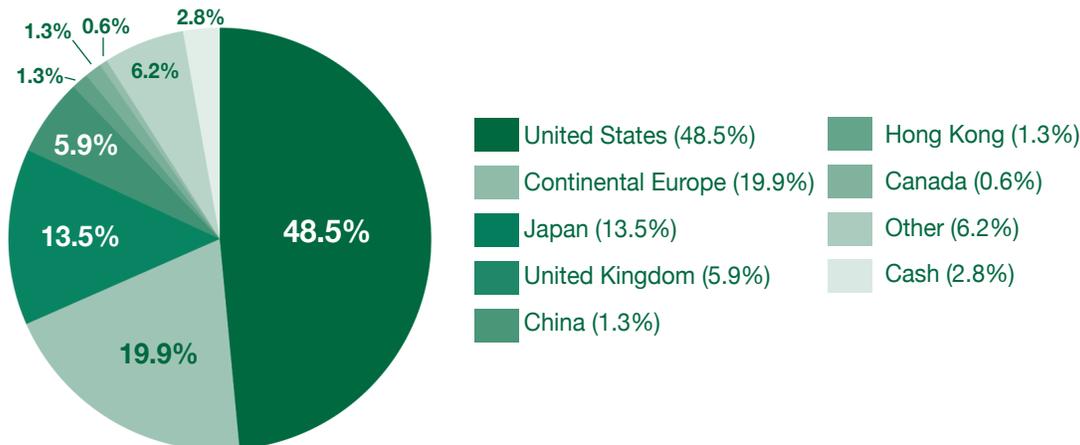
The following table shows the Fund's annual compound total return for the period indicated, as of December 31, 2017, compared to the Morgan Stanley Capital International World Total Return Index (\$Cdn).

|                                       | Past 10 years | Past 5 years | Past 3 years | Past year |
|---------------------------------------|---------------|--------------|--------------|-----------|
| Tradex Global Equity Fund             | 7.9%          | 17.2%        | 14.0%        | 23.9%     |
| MSCI World Total Return Index (\$Cdn) | 8.2%          | 17.5%        | 12.8%        | 15.0%     |

The MSCI World Total Return Index is a market capitalization index that is designed to measure global developed market equity performance. The Index consists of over 24 developed market country indices encompassing approximately 1,620 constituents.

### IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the net asset value as at December 31, 2017, broken down by the geographic location of the exposure of the companies in the portfolio, is as follows. (This represents portfolio manager City of London Investment Management's estimate of the underlying country exposure associated with the various assets held by the Fund.)



The following investments represent the holdings of the Fund as of December 31, 2017, shown as a percentage of the Fund's total 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.

|  |      |  |               |
|--|------|--|---------------|
| JPMorgan American Investment Trust PLC                   | 5.6% | Biotech Growth Trust Fund PLC                  | 2.9%          |
| Gabelli Equity Trust Inc.                                | 5.6% | Alpine Total Dynamic Dividend Fund             | 2.9%          |
| Fidelity European Values PLC                             | 5.4% | Perpetual Income & Growth Investment Trust PLC | 2.9%          |
| General American Investors Company Inc.                  | 4.9% | JPMorgan Japan Smaller Companies Trust         | 2.9%          |
| Sprott Focus Trust Inc.                                  | 4.7% | British Empire Securities & General Trust      | 2.5%          |
| ClearBridge American Energy MLP Fund Inc.                | 4.3% | Aberdeen Japan Equity Fund Inc.                | 2.4%          |
| JPMorgan Japanese Investment Trust PLC                   | 4.2% | Dunedin Income Growth Investment Trust PLC     | 2.3%          |
| Polar Capital Global                                     | 4.1% | iShares MSCI Europe                            | 2.2%          |
| RCM Technology Trust PLC                                 | 3.9% | Energy Select Sector SPDR Fund                 | 2.0%          |
| JPMorgan European Smaller Companies Investment Trust PLC | 3.8% | Pershing Square Holdings Ltd.                  | 2.0%          |
| Adams Diversified Equity Fund Inc.                       | 3.7% | Montanaro European Smaller Companies Trust PLC | 2.0%          |
| European Investment Trust PLC                            | 3.4% | <b>Sub-total – largest 25 holdings</b>         | <b>86.7%</b>  |
| F&C US Smaller Companies Fund                            | 3.1% | <b>Remaining holdings</b>                      | <b>13.3%</b>  |
| Edinburgh Dragon Trust PLC                               | 3.0% | <b>Total</b>                                   | <b>100.0%</b> |

# INDEPENDENT AUDITOR'S REPORT

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March 26, 2018

## **Independent Auditor's Report**

### **To the Unitholders of the Tradex Global Equity Fund ("the Fund")**

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position at December 31, 2017 and 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for all years presented, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

## STATEMENTS OF FINANCIAL POSITION

| <i>As at</i>   | Dec. 31, 2017        | Dec. 31, 2016        |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| <b>Current Assets</b>  |                      |                      |
| Investments at fair value through profit and loss                      | \$ 34,037,750        | \$ 25,912,132        |
| Cash and cash equivalents  | 1,057,081            | 969,773              |
| Dividends receivable   | 77,438               | 52,638               |
| Accrued interest receivable  | 156                  | 29                   |
| Receivable for investments sold  | 53,214               | 74,658               |
| Subscriptions receivable   | 2,100                | 63                   |
| Total Assets   | 35,227,739           | 27,009,293           |
| <b>Liabilities</b>   |                      |                      |
| <b>Current Liabilities</b>   |                      |                      |
| Accounts payable and accrued liabilities                               | 132,321              | 111,454              |
| Payable for investments purchased                                      | 106,380              | 74,607               |
| Total Liabilities  | 238,701              | 186,061              |
| <b>Net assets attributable to holders of redeemable units</b>          | <b>\$ 34,989,038</b> | <b>\$ 26,823,232</b> |
| <b>Units issued and outstanding, end of year (Note 8)</b>              | <b>2,070,683</b>     | <b>1,750,413</b>     |
| <b>Net assets attributable to holders of redeemable units per unit</b> | <b>\$ 16.90</b>      | <b>\$ 15.32</b>      |

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

Approved by the Board  
of Directors of  
Tradex Management Inc.,  
Trustee for Tradex Global Equity Fund



Patricia Hassard  
Director



Karin Zabel  
Director

## STATEMENTS OF COMPREHENSIVE INCOME *(For the years ended December 31)*

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| <b>Income</b>   |                     |                     |
| Dividend income   | \$ 1,095,322        | \$ 949,536          |
| Interest income for distribution purposes   | 1,036               | 404                 |
| Net foreign exchange gain (loss) on cash  | (35,725)            | 276                 |
| Other changes in fair value of investments and derivatives                                    |                     |                     |
| Net realized gain (loss) on sale of investments and derivatives                               | 3,729,476           | (35,283)            |
| Net realized foreign exchange gain (loss)   | 23,942              | (22,204)            |
| Change in unrealized appreciation (depreciation) on investments and derivatives               | 2,482,899           | 784,470             |
|   | <b>7,296,950</b>    | <b>1,677,199</b>    |
| <b>Expenses (Note 7)</b>  |                     |                     |
| Management fees   | 209,251             | 166,883             |
| Investment advisory fees  | 352,000             | 290,589             |
| Administration costs  | 82,000              | 79,425              |
| Independent review committee  | 122                 | 74                  |
| Audit fees  | 10,500              | 12,055              |
| Custodian fees  | 13,500              | 28,099              |
| Registration fees and expenses  | 16,467              | 16,368              |
| Transaction costs   | 61,154              | 105,949             |
| Foreign withholding taxes   | 28,733              | 59,014              |
| Expense reductions  | (136,504)           | (99,892)            |
|   | <b>637,224</b>      | <b>658,564</b>      |
| <b>Increase (decrease) in net assets attributable to holders of redeemable units</b>          | <b>\$ 6,659,726</b> | <b>\$ 1,018,635</b> |
| <b>Weighted average units outstanding during the year</b>                                     | <b>1,833,612</b>    | <b>1,736,541</b>    |
| <b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b> | <b>\$ 3.63</b>      | <b>\$ 0.59</b>      |

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

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

|  | For the years ended December 31 |               |
|--|---------------------------------|---------------|
|  | 2017                            | 2016          |
| <b>Net assets attributable to holders of redeemable units at beginning of year</b>       | \$ 26,823,232                   | \$ 25,881,114 |
| <b>Increase (decrease) in net assets attributable to holders of redeemable units</b>     | 6,659,726                       | 1,018,635     |
| <b>Distributions</b>   |                                 |               |
| Distributions to holders of redeemable units from net investment income                  | (504,763)                       | (677,961)     |
| Distributions to holders of redeemable units from net realized capital gains             | (3,354,563)                     | —             |
|  | (3,859,326)                     | (677,961)     |
| <b>Redeemable units transactions</b>   |                                 |               |
| Proceeds from issue of redeemable units  | 4,416,870                       | 2,078,200     |
| Reinvestment of distributions  | 3,827,034                       | 669,612       |
| Consideration paid for redemptions of redeemable units                                   | (2,878,499)                     | (2,146,368)   |
| <b>Net increase (decrease) from redeemable unit transactions</b>                         | 5,365,405                       | 601,444       |
| <b>Net increase (decrease) in net assets attributable to holders of redeemable units</b> | 8,165,805                       | 942,118       |
| <b>Net assets attributable to holders of redeemable units at end of year</b>             | \$ 34,989,037                   | \$ 26,823,232 |

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

## STATEMENTS OF CASH FLOWS

|  | For the years ended December 31 |                  |
|--|---------------------------------|------------------|
|  | 2017                            | 2016             |
| <b>Cash Flows from Operating Activities</b>  |                                 |                  |
| Increase (decrease) in net assets attributable to holders of redeemable units          | \$ 6,659,726                    | \$ 1,018,635     |
| Adjustments for:   |                                 |                  |
| Net foreign exchange loss (gain) on cash   | (39)                            | 140              |
| Net realized (gain) loss on sale of investments and derivatives                        | (3,729,476)                     | 35,283           |
| Net change in unrealized (appreciation) depreciation<br>of investments and derivatives | (2,482,743)                     | (784,970)        |
| Purchase of investments  | (20,863,984)                    | (28,382,181)     |
| Proceeds from the sale of investments  | 19,003,803                      | 28,022,631       |
| Change in non-cash working capital items   | (4,060)                         | 78,871           |
|  | (1,416,774)                     | (11,591)         |
| <b>Cash Flows from Financing Activities</b>  |                                 |                  |
| Proceeds from issue of redeemable units  | 4,414,833                       | 2,102,191        |
| Distributions paid to holders of redeemable units, net of reinvested<br>distributions  | (32,292)                        | (8,349)          |
| Consideration paid on redemptions of redeemable units                                  | (2,878,499)                     | (2,153,403)      |
|  | 1,504,042                       | (59,561)         |
| <b>Increase (decrease) in cash and cash equivalents during the year</b>                | <b>87,268</b>                   | <b>(71,152)</b>  |
| <b>Foreign exchange loss (gain) on cash</b>  | <b>39</b>                       | <b>(140)</b>     |
| <b>Cash and cash equivalents at beginning of year</b>                                  | <b>969,773</b>                  | <b>1,041,065</b> |
| Cash and cash equivalents at end of year   | \$ 1,057,081                    | \$ 969,773       |
| Interest received  | \$ 909                          | \$ 393           |
| Dividends received, net of withholding taxes   | \$ 1,041,789                    | \$ 965,154       |

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

## SCHEDULE OF INVESTMENT PORTFOLIO *As at December 31, 2017*

| Foreign Equities                                      | Number<br>of shares | Average<br>cost      | Fair<br>value        | % of total<br>fair<br>value |
|---|---------------------|----------------------|----------------------|-----------------------------|
| <b>United States</b>                                  |                     |                      |                      |                             |
| JPMorgan American Investment Trust PLC                | 286,777             | \$ 1,720,777         | \$ 1,973,083         |                             |
| Gabelli Equity Trust Inc.                             | 252,524             | 1,757,342            | 1,964,846            |                             |
| General American Investors Co. Inc.                   | 39,685              | 1,493,075            | 1,716,018            |                             |
| Sprott Focus Trust Inc.                               | 163,805             | 1,414,901            | 1,630,751            |                             |
| ClearBridge American Energy MLP Fund Inc.             | 143,234             | 1,607,632            | 1,490,774            |                             |
| Adams Diversified Equity Fund Inc.                    | 68,802              | 1,080,004            | 1,299,854            |                             |
| Jupiter US Smaller Companies PLC                      | 70,421              | 895,200              | 1,068,457            |                             |
| Energy Select Sector SPDR® Fund                       | 7,800               | 640,324              | 708,480              |                             |
| Pershing Square Holdings Ltd.                         | 40,886              | 866,305              | 704,300              |                             |
| Dividend and Income Fund Inc.                         | 40,489              | 672,713              | 683,515              |                             |
| Goldman Sachs MLP Income Opportunities Fund           | 33,735              | 463,944              | 379,100              |                             |
| Reaves Utility Income Fund                            | 8,500               | 317,014              | 330,578              |                             |
| Dividend and Income Fund Inc., Rights, 2018/12/26     | 40,489              | 0                    | 2,036                |                             |
|   |                     | 12,929,231           | 13,951,792           | 41.0%                       |
| <b>Europe</b>   |                     |                      |                      |                             |
| Fidelity European Values PLC                          | 492,193             | 1,465,075            | 1,893,670            |                             |
| JPMorgan European Smaller Companies Trust PLC         | 186,272             | 886,542              | 1,327,743            |                             |
| European Investment Trust PLC (The)                   | 73,014              | 970,467              | 1,178,430            |                             |
| Perpetual Income and Growth Investment Trust PLC      | 154,983             | 937,104              | 1,002,135            |                             |
| Dunedin Income Growth Investment Trust PLC            | 183,092             | 790,524              | 812,566              |                             |
| iShares MSCI Europe ex-UK ETF                         | 16,070              | 752,983              | 773,531              |                             |
| Montanaro European Smaller Companies Trust PLC        | 49,508              | 494,922              | 683,939              |                             |
|   |                     | 6,297,617            | 7,672,014            | 22.5%                       |
| <b>Asia</b>   |                     |                      |                      |                             |
| JPMorgan Japanese Investment Trust PLC                | 197,979             | 931,046              | 1,472,510            |                             |
| Edinburgh Dragon Trust PLC                            | 166,844             | 807,067              | 1,063,256            |                             |
| JPMorgan Japan Smaller Companies Investment Trust PLC | 135,000             | 673,288              | 1,001,227            |                             |
| Aberdeen Japan Equity Fund Inc.                       | 74,932              | 597,111              | 851,473              |                             |
| Japan Smaller Capitalization Fund Inc.                | 45,148              | 586,621              | 670,230              |                             |
| Martin Currie Pacific Trust PLC                       | 94,696              | 609,052              | 648,876              |                             |
| Aberdeen Singapore Fund Inc.                          | 31,954              | 461,189              | 498,864              |                             |
| Aberdeen Japan Investment Trust PLC                   | 43,750              | 368,653              | 477,055              |                             |
|   |                     | 5,034,027            | 6,683,491            | 19.6%                       |
| <b>Globally Diversified / Other</b>                   |                     |                      |                      |                             |
| Polar Capital Global Financials Trust PLC             | 580,846             | 1,082,780            | 1,429,375            |                             |
| Allianz Technology Trust PLC                          | 69,403              | 841,023              | 1,376,924            |                             |
| Biotech Growth Trust PLC (The)                        | 76,776              | 931,716              | 1,029,366            |                             |
| Alpine Total Dynamic Dividend Fund                    | 85,205              | 919,222              | 1,014,263            |                             |
| British Empire Securities and General Trust PLC       | 71,612              | 798,855              | 880,525              |                             |
|   |                     | 4,573,596            | 5,730,453            | 16.8%                       |
| Total Equities  |                     | 28,834,471           | 34,037,750           | 99.9%                       |
| Transaction costs                                     |                     | (66,799)             |                      |                             |
| <b>Total portfolio of investments</b>                 |                     | <b>\$ 28,767,672</b> | <b>\$ 34,037,750</b> | <b>99.9%</b>                |

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

## 1. **Background**

Tradex Global Equity Fund (“the Fund”) is an unincorporated trust formed under the laws of the Province of Ontario. Tradex Management Inc. is the Manager and the Trustee of Tradex Global Equity Fund. These financial statements were authorized for issue by Tradex Management Inc. on March 22, 2018.

## 2. **Summary of significant accounting policies**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### **Financial instruments**

The Fund recognizes financial instruments at fair value upon initial recognition. The Fund’s investments in derivatives are classified as held for trading and its investments have been classified as fair value through profit or loss (FVTPL), including investments in debt securities which have been designated at FVTPL at inception. The Fund obligations for net assets attributable to holders of redeemable units are presented at the redemption amount which approximates fair value. The Fund’s accounting policies for measuring the fair value of their investments and derivatives are identical to those used in measuring the net asset value (NAV) for transactions with unitholders. All other financial assets and liabilities, including redeemable units, are measured at amortized cost.

The fair value of financial assets and liabilities traded in active markets is based on the quoted market prices at close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and liabilities, where the last traded price falls within the day’s bid-ask spread. In material circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. The fair 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 difference between the fair value of investments and the cost of the investments is included in change in unrealized appreciation (depreciation) on investments and derivatives in the Statements of Comprehensive Income.

### **Critical accounting estimates and judgments**

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

#### *Fair value measurement of securities not quoted in an active market*

If the Fund holds financial instruments that are not quoted in active markets, fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market

data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability, as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. Refer to Note 3 for further information about the fair value measurement of the Fund’s financial instruments.

#### *Classification and measurement of investments and application of the fair value option*

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

### **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 and derivatives”. Upon closing of the contracts, the accumulated gains or losses are reported in “Net realized gain (loss) on sale of investments and derivatives” in the Statements of Comprehensive Income.

### **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 “net realized gain (loss) on sale of investments and derivatives” and “change in unrealized appreciation (depreciation) on investments and derivatives,” respectively, in the Statements of Comprehensive Income.

### **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 unitholders 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 Statements of Comprehensive Income.

The interest income for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund, accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities, with the exception of zero coupon bonds.

### **Classification of redeemable units issued by the Fund**

IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them and distribute annual net income for cash or another financial asset be classified as financial liabilities. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore have been classified as financial liabilities.

### **Net assets attributable to holders of redeemable units**

"Net assets attributable to holders of redeemable units" is based on the total net assets divided by the number of units outstanding as at the end of the year. The "increase (decrease) in net assets attributable to holders of redeemable units per unit" is based on the increase (decrease) in net assets from operations for the year divided by the weighted average number of units outstanding over the year.

### **Soft dollar commissions**

No soft dollar commissions are charged to the Fund.

### **Taxes**

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and distributes all of its net taxable income with the intent to not be subject to income tax.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

As at December 31, 2017, the Fund had no non-capital losses and no capital losses carried forward for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains.

Goods and services tax (GST) or harmonized sales tax (HST), as applicable, is included in the relevant expense items charged to the Fund.

### **Accounting standards issued but not yet effective**

The International Accounting Standards Board has issued the following standard which, where applicable, has not yet been adopted by the Company:

IFRS 9, Financial Instruments. - The final version of IFRS 9, Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Manager determined that the impact to the Fund will include additional disclosure related to changes to the classification of certain financial instruments to align with the classification under IFRS 9. Adoption of the standard will not impact net assets attributable to holders of redeemable units.

### **3. Classification of financial instruments**

The Fund classifies its financial instruments 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 financial instruments within the fair value hierarchy as at December 31, 2017 is as follows:

Level 1 Assets - \$34,037,750 in equities that trade in an active market on a recognized stock exchange and \$1,057,081 in cash and cash equivalents (\$25,912,132 and 969,773, respectively, on December 31, 2016).

There were no Level 2 or Level 3 assets on December 31, 2017 or December 31, 2016.

There were no transfers between levels during the year ended December 31, 2017 or December 31, 2016.

### **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 Global Equity Fund's investment objective is to achieve long-term capital appreciation by investing primarily in

closed-end fund companies whose investments are principally in a diversified portfolio of equity securities of issuers based in any country. The Fund's investment approach involves the portfolio advisor assessing which of the world's stock markets, industry sectors and currencies have the best potential rate of return. Indirect investments in global stocks are made primarily through exchange traded closed-end fund companies. The Fund also invests in Index Participation Units (IPUs) or Exchange-Traded Funds (ETFs), which mirror the performance of a particular exchange index. Up to 25% of the book value of the portfolio may also be invested in shares of non closed-end fund companies listed on a recognized stock exchange. The Americas, Europe and Asia are all represented in the portfolio, with emerging markets not accounting for more than 20% of total investments. Funds representing a single country cannot account for more than 35% of the portfolio, with the exception of the United States. Derivatives (forward contracts) may be used for foreign currency hedging purposes only.

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 and market events and diversify the investment portfolio within the constraints of the investment guidelines.

**(a) Currency risk**

Currency risk is the risk that the fair value of, or cash flows associated with, 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. Currencies to which the Fund had exposure as at December 31, 2017 and 2016 are as follows (\$'000):

|            | 31-Dec-17 | 31-Dec-16 |
|------------|-----------|-----------|
| US Dollars | 13,354    | 6,542     |
| UK Pounds  | 20,823    | 19,562    |
| Euro       | 2         | 1         |

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have increased or decreased by approximately \$1,709,000 (\$1,305,000 2016). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

**(b) Credit risk**

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. As at December 31, 2017 and 2016, the Fund held no debt instruments and therefore did not have significant exposure to credit risk.

**(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 significant amounts of risk due to fluctuations in the prevailing level 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 December 31, 2017, 97.3% of the Fund's net assets was traded on global stock exchanges (96.6% 2016). If equity prices on all global stock exchanges had increased or decreased by 10% as at the year end, with all other factors remaining constant, net assets could possibly have increased or decreased by approximately \$3,404,000, respectively (\$2,591,000 2016). 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 units. However, the Manager does not expect significant immediate actual cash outflows, as holders of these instruments typically retain them for a longer period. The units of the Fund are issued and redeemed on demand at the then current transactional net asset value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and short-term investment positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. All financial liabilities of the Fund mature within the next three months.

**(f) Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. For a summary of the Fund's concentration risk, refer to Summary of Investment Portfolio (page 5) and Schedule of Investment Portfolio.

**5. Interest in unconsolidated structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directly by means of contractual arrangements. The Manager has determined that all of the underlying Exchange Traded funds (ETFs) in which the Fund invests are unconsolidated structured entities. In making the determination, the Manager has made a significant judgment, generally because decision making about the underlying funds' activities is not governed by voting or similar rights held by the Fund and other investors in any underlying funds.

## NOTES TO FINANCIAL STATEMENTS *As at December 31, 2017 (cont'd)*

The tables below illustrate additional information on the Fund's interest in underlying ETFs as at December 31, 2017.

The Fund had no interest in underlying ETFs as at December 31, 2016.

As at December 31, 2017:

| Holding                         | % of Net Assets | Country of Establishment & Principal Place of Business |
|---------------------------------|-----------------|--|
| iShares MSCI Europe ex-UK ETF   | 2.21%           | United Kingdom   |
| Energy Select Sector SPDR® Fund | 2.02%           | United States  |

| Holding                         | % of Ownership Interest | Fair Value \$ |
|---------------------------------|-------------------------|---------------|
| iShares MSCI Europe ex-UK ETF   | 0.020%                  | 773,531       |
| Energy Select Sector SPDR® Fund | 0.003%                  | 708,480       |

### 6. Financial instruments by category

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2017:

| Financial Instruments by category as of December 31, 2017 |                           |                         |            |
|---|---------------------------|-------------------------|------------|
| Assets  | Financial assets at FVTPL |                         | Total \$   |
|   | HFT                       | Designated at inception |            |
| Investments   |                           | 34,037,750              | 34,037,750 |
| Total   |                           | 34,037,750              | 34,037,750 |

| Financial Instruments by category as of December 31, 2017 |                     |           |
|---|---------------------|-----------|
| Assets  | Financial assets at |           |
|   | Amortized cost \$   |           |
| Cash and cash equivalents                                 | 1,057,081           | 1,057,081 |
| Dividends receivable                                      | 77,438              | 77,438    |
| Accrued interest  | 156                 | 156       |
| Receivable for investments sold                           | 53,214              | 53,214    |
| Subscriptions receivable                                  | 2,100               | 2,100     |
| Total   | 1,189,989           | 1,189,989 |

| Financial Instruments by category as of December 31, 2017 |                          |           |
|---|--------------------------|-----------|
| Liabilities   | Financial liabilities at |           |
|   | Amortized cost \$        |           |
| Accrued liabilities                                       | (132,321)                | (132,321) |
| Payable for investments purchased                         | (106,380)                | (106,380) |
| Total   | (238,701)                | (238,701) |

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2016:

| Financial Instruments by category as of December 31, 2016 |                           |                         |            |
|---|---------------------------|-------------------------|------------|
| Assets  | Financial assets at FVTPL |                         | Total \$   |
|   | HFT                       | Designated at inception |            |
| Investments   | —                         | 25,912,132              | 25,912,132 |
| Total   | —                         | 25,912,132              | 25,912,132 |

| Financial Instruments by category as of December 31, 2016 |                     |           |
|---|---------------------|-----------|
| Assets  | Financial assets at |           |
|   | Amortized cost \$   |           |
| Cash and cash equivalents                                 | 969,773             | 969,773   |
| Dividends receivable                                      | 52,638              | 52,638    |
| Accrued interest  | 29                  | 29        |
| Receivable for investments sold                           | 74,658              | 74,658    |
| Subscriptions receivable                                  | 63                  | 63        |
| Total   | 1,097,161           | 1,097,161 |

| Financial Instruments by category as of December 31, 2016 |                          |           |
|---|--------------------------|-----------|
| Liabilities   | Financial liabilities at |           |
|   | Amortized cost \$        |           |
| Accrued liabilities                                       | (111,454)                | (111,454) |
| Payable for investments purchased                         | (74,607)                 | (74,607)  |
| Total   | (186,061)                | (186,061) |

The following table presents the net gains (losses) on sale of investments and derivatives by category for the years ended December 31:

|                                | Net Gain (Loss)  |                  |
|--------------------------------|------------------|------------------|
|                                | December 31 2017 | December 31 2016 |
| Financial assets at FVTPL      |                  |                  |
| Derivatives                    | 23,942           | (22,204)         |
| Investments                    | 7,308,733        | 1,699,127        |
| Financial liabilities at FVTPL |                  |                  |
| Derivatives                    | —                | —                |
| Investments                    | —                | —                |
| Total                          | 7,332,675        | 1,676,923        |

**7. 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. (a related party) performs the management services, including the provision of key management personnel, for an annual fee of 0.6% of the Fund's net asset value, calculated and accruing daily.

Tradex Management Inc. may from time to time voluntarily waive a portion of its management fees and/or absorb all or a portion of the other expenses of the Fund and/or rebate to the Fund a portion of the fees paid to it by the Fund in the second half annually. This reduces the expenses for the Fund, which in turn reduces its management expense ratio. In 2017, \$136,054 (\$99,892 in 2016) in expenses were reduced for the Fund through such transactions.

**8. Units capitalization**

The capital of the Fund is represented by issued redeemable units that have no par value. They are entitled to distribution, if any, and to payment of a proportionate amount based on the Fund's net asset value per unit upon redemption.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. In accordance with the investment objectives and strategies, and risk management practices outlined in Note 4, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings where necessary. The changes in the number of units during the last years ending December 31 were as follows:

|                                | 2017      | 2016      |
|--------------------------------|-----------|-----------|
| Outstanding, beginning of year | 1,750,413 | 1,709,043 |
| Issued for cash                | 257,911   | 144,279   |
| Reinvested                     | 226,817   | 43,682    |
| Redeemed                       | (164,458) | (146,591) |
| Outstanding, end of year       | 2,070,683 | 1,750,413 |

## BOARD OF DIRECTORS AND OFFICERS

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**Bob Baldwin**, *Ottawa, Ont.*

*Consultant  
Director*

**Philip E. Charko**, *Ottawa, Ont.*

*Canada Employment Insurance Financing Board (retired)  
Director and Chair*

**Monique Collette**, *Ottawa, Ont.*

*Atlantic Canada Opportunities Agency (retired)  
Director and Treasurer*

**Blair R. Cooper, CFA, MBA**, *Ottawa, Ont.*

*Tradex Management Inc.  
Director, President, CFO, CEO*

**Patricia Hassard**, *Ottawa, Ont.*

*Privy Council Office (retired)  
Director and Secretary*

**Franklin Blake Johnston**, *Ottawa, Ont.*

*President, Diligence Public Affairs Inc.  
Director*

**Tom MacDonald**, *Ottawa, Ont.*

*Global Affairs Canada (retired)  
Director*

**Brien I.R. Marshall**, *Ottawa, Ont.*

*Tradex Management Inc.  
Senior Vice President and Chief Operating Officer*

**David Plunkett**, *Ottawa, Ont.*

*Global Affairs Canada (retired)  
Director*

**Hanny Toxopeus**, *Ottawa, Ont.*

*Association of Professional Executives of the Public Service  
of Canada (retired)  
Director*

**Deborah M. Wright**, *Gatineau, Que.*

*Tradex Management Inc.  
Vice President, Operations*

**Karin Zabel, CPA, CA**, *Ottawa, Ont.*

*Consultant  
Director and Vice Chair*

## CORPORATE AND UNITHOLDERS INFORMATION

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