

2018

Interim Management Report of Fund Performance and Interim Financial Statements

Tradex BOND Fund

June 30, 2018

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**.

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Ottawa, Ontario
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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

for the six months ending June 30, 2018

I. MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

An investment in Tradex Bond Fund decreased in value by 0.5% during the first half of 2018 while it has increased by 1.7% over the past year compared to an increase of 0.8% in its benchmark, the FTSE TMX Canada Universe Bond Index.

During the first half of the year the Bank of Canada increased its overnight policy interest rate target to 1.25% on January 17th and then held that rate through the subsequent three announcements. In the US, the Federal Reserve (the Fed) increased 0.25% March 21st then increased another 0.25% June 13th to 1.75% to 2.00% and removed the wording related to gradual increases and rates remaining below normal for an extended period. The Committee increased its balance sheet normalization program from \$30 to \$40 billion per month.

There was quite a turnaround in the economic and interest rate outlooks in Canada and the US to start the year. Last fall the Bank of Canada (BoC) hiked interest rates in consecutive meetings to a level above those in the US and in doing so pushed the exchange rate above 82 cents US. Since then, however, it seems that Canada has been slipping behind, with both interest rate spreads and the Canadian dollar sinking steadily. This year could see the Fed raise rates as many as four times while the BoC may hike rates only twice. After a soft 1st quarter, the domestic economy strengthened as consumer spending strengthened despite lower consumer loan demand due to these higher interest rates. A decent employment market combined with a sizeable jump in hourly earnings offset the effects of higher interest rates. In this environment, yields on Government of Canada bonds generally increased, as seen in the following table (yields as at December 31, 2006 are also shown to give an historical perspective):

Term to Maturity	Yield Dec.31/06	Record Lows	Yield Dec. 29/17	Yield Mar. 31/18	Yield June 30/18
2 years	4.02%	0.28%*	1.68%	1.77%	1.91%
3 years	3.99%	0.30%**	1.73%	1.88%	1.98%
5 years	3.99%	0.48%***	1.86%	1.96%	2.06%
10 years	4.08%	0.95%****	2.04%	2.09%	2.17%
30 years	4.14%	1.55%#	2.26%	2.23%	2.20%

Source: Bank of Canada. **Record (50 years or more) low rates**

*Jan. 15/16, **Jan. 19/16, ***Feb. 11/16, ****Sept. 29/16, # July 8/16

The primary factors contributing to performance were corporate and provincial security selection. Provincially, the portfolio's underweight position in underperforming province of Ontario bonds helped performance. The portfolio continues to maintain an overweight position in Canadian corporate bonds as overall credit quality remains in good shape and the domestic economy continues to grow. The Fund's strategic asset class allocation continues to emphasize higher yielding preferred and common shares.

As at June 30th, 2018, the portfolio was invested as follows: 44% of the Fund's portfolio value was in government bonds, 26% in

corporate bonds, 16% in preferred shares and 13% in common shares, REITs and Income Trusts and 1% in cash. For purposes of diversification, at the end of the period the portfolio mix included 15 individual issues of corporate bonds, 18 preferred shares issues and equity shares in 23 firms (consisting of common shares, REITs and Income Trusts). Throughout the period the duration (a measure of portfolio term to maturity and sensitivity to interest rate changes) of the fixed income portion of the Fund was approximately 1.3 to 1.7 years shorter than the FTSE TMX Canada Universe Bond Index as, from Foyston, Gordon & Payne (FGP)'s perspective, these interest rates are too low given Canada's decent economic fundamentals and rising inflationary pressures. The yield on the Fund's overall portfolio was 3.4% as at June 30th, as shown in the following table, while the yield on the FTSE TMX Canada Universe Bond index was 2.7%.

	Government Bonds	Corporate Bonds	Preferred Shares	Common shares, Trusts, REITs	Weighted average total
Yield*	2.4%	3.3%	4.7%	5.3%	3.4%

*The gross estimated annual yield for 1 year is calculated before fees & taxes

Quarterly distributions of 6.98 cents per unit and 6.32 cents per unit were made at the end of March and June, respectively. As at June 30, 2018, the Net Asset Value of the Fund stood at \$24.2 million compared to \$23.8 million at the end of 2017. Over this period, the number of units outstanding increased by 3.3%.

Management Fees

As the Manager, Tradex Management Inc. is responsible for directing the business, operations and affairs of the Fund. It performs this duty for an annual fee of 0.6% of the Fund's net asset value, calculated and accruing daily. This amounted to \$80,431 in the first half of 2018 (including HST) and represents slightly less than 54% 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 0.25% from its management fee to mutual fund dealers who distribute the Fund (refunded if Tradex dealer).

Since Tradex Management Inc. operates on an "at cost" basis for the benefit of its investors, it voluntarily rebates and/or waives a portion of the management fees paid to it by the Fund when financial conditions permit. These rebates/waivers reduce the expenses for the Fund, which in turn reduce its management expense ratio. In the second half of 2017, \$74,128 in expenses were reduced for the Fund through such transactions. It is anticipated that a rebate will be made in the second half of 2018, although it is not possible to estimate the amount at this time.

Other Expenses

The other expenses incurred by the Fund in the first six months of 2018 amounted to \$69,521 and were paid to third party suppliers, governments and regulatory authorities. These represent

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

investment advisory fees (paid to Foyston, Gordon & Payne Inc.), 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 (payable 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 Statements of Comprehensive Income.

II. FINANCIAL HIGHLIGHTS

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

The Fund's Net Assets per Unit (1)

For the six month period ending June 30, 2018 and the five annual periods ending December 31, 2017, 2016, 2015, 2014, and 2013.

	2018	2017	2016	2015	2014	2013
Net assets per unit, beginning of period	\$ 11.37	\$ 11.12	\$ 10.74	\$ 11.03	\$ 10.76	\$ 10.95
Increase (decrease) from operations:						
Total revenue	\$ 0.20	\$ 0.44	\$ 0.47	\$ 0.48	\$ 0.49	\$ 0.51
Total expenses	\$ (0.07)	\$ (0.11)	\$ (0.11)	\$ (0.12)	\$ (0.11)	\$ (0.12)
Realized gains (losses) for the period	\$ (0.02)	\$ 0.08	\$ 0.06	\$ (0.11)	\$ 0.13	\$ 0.04
Unrealized gains (losses) for the period	\$ (0.17)	\$ 0.17	\$ 0.33	\$ (0.20)	\$ 0.13	\$ (0.26)
Total increase from operations (2)	\$ (0.06)	\$ 0.58	\$ 0.75	\$ 0.05	\$ 0.64	\$ 0.17
Distributions:						
From investment income	\$ 0.05	\$ 0.17	\$ 0.19	\$ 0.20	\$ 0.23	\$ 0.23
From dividends	\$ 0.08	\$ 0.16	\$ 0.19	\$ 0.14	\$ 0.15	\$ 0.14
Total Distributions (3)	\$ 0.13	\$ 0.33	\$ 0.38	\$ 0.34	\$ 0.38	\$ 0.37
Net assets per unit, end of period	\$ 11.18	\$ 11.37	\$ 11.12	\$ 10.74	\$ 11.03	\$ 10.76

(1) The information for 2013-2017 is derived from the Fund's audited annual financial statements. As of 2014 the Fund adopted International Financial Reporting Standards (IFRS) whereby net asset value is 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 period.

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

Ratios and Supplemental Data	2018	2017	2016	2015	2014	2013
Total net asset value, end of period (000's)	\$ 24,204	\$ 23,825	\$ 21,019	\$ 19,031	\$ 18,968	\$ 17,517
Weighted average net asset value (000's)	\$ 23,885	\$ 23,035	\$ 20,109	\$ 19,345	\$ 18,303	\$ 17,411
Number of units outstanding, end of period	2,165,719	2,095,797	1,890,626	1,771,633	1,720,415	1,627,796
Management expense ratio (1)	1.25%	0.92%	0.99%	1.04%	1.00%	1.08%
Management expense ratio before waivers or absorptions (1)	1.25%	1.24%	1.29%	1.30%	1.36%	1.35%
Trading Expense Ratio (2)	0.02%	0.02%	0.02%	0.03%	0.02%	0.03%
Portfolio turnover rate (3)	24.88%	43.84%	18.03%	27.50%	34.70%	38.49%
Net asset value per unit, end of period	\$ 11.18	\$ 11.37	\$ 11.12	\$ 10.74	\$ 11.03	\$ 10.76

(1) Management expense ratio is based on total expenses (excluding broker commission and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. **Any expense waivers or absorptions are made in the second half of the year.**

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

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and performance of a fund.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE *(continued)*

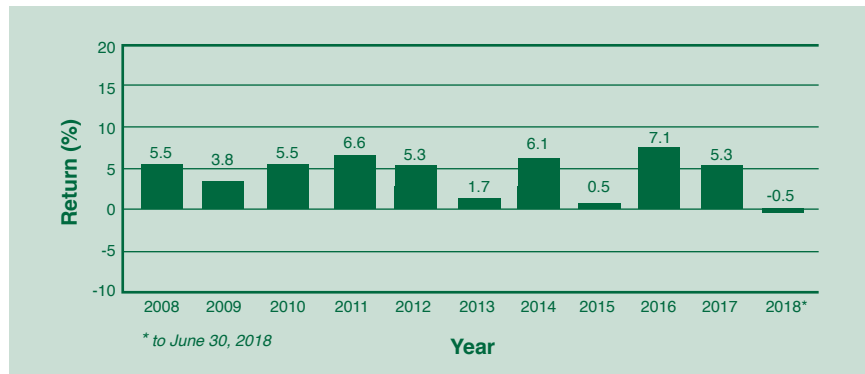
III. PAST PERFORMANCE

General

The Fund's past performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of income the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional units. The performance information does not take into account any sales, redemption or other optional charges that, if applicable, would reduce the returns or performance. Please remember, the Fund's performance in the past does not indicate how it will perform in the future.

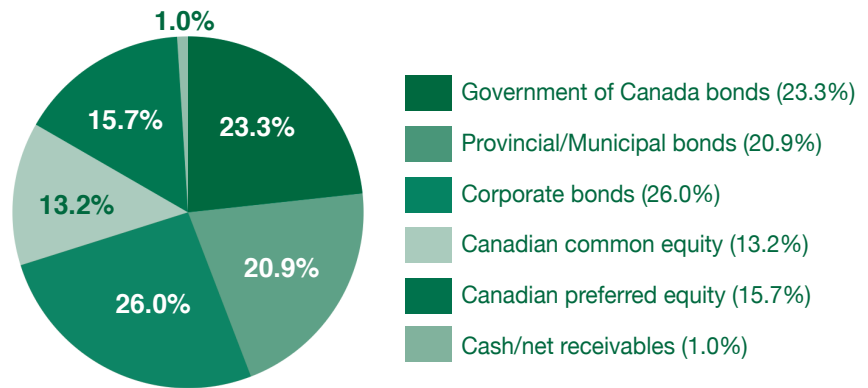
Year-by-year Returns

This bar chart shows the Fund's annual performance for each of the past ten years ending December 31, 2017 plus the performance for the six month period ending June 30, 2018. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period and how the performance has varied from period to period.



IV. SUMMARY OF INVESTMENT PORTFOLIO

A summary of the net asset value as at June 30, 2018, broken down by the category of issuer, is as follows:



The following investments represent the 25 largest holdings of the Fund as of June 30, 2018, shown as a percentage of the Fund's net asset value. The list is of interest only as of the date indicated, as the percentages may have changed, and some or all of the holdings may have been sold and new positions purchased. A quarterly update is available as discussed on the cover page of this document.

Province of Alberta, 2.90%, September 20, 2029	4.6%	Province of British Columbia, 3.70%, December 18, 2020	2.0%
Canada Housing Trust, 1.55% September 15, 2022	4.2%	Province of Saskatchewan, 3.20%, June 3, 2024	1.8%
PSP Capital Inc., 3.29%, April 4, 2024	4.1%	NHA MBS Royal Bank of Canada, 2.25%, November 1, 2024	1.8%
Province of Ontario, 2.40%, June 2, 2026	3.8%	Province of Ontario, 2.60%, June 2, 2025	1.8%
Canada Housing Trust, 1.25%, June 15, 2021	3.8%	Strait Crossing Development Inc., 6.17%, September 15, 2031	1.6%
Canada Housing Trust, 1.45%, June 15, 2020	3.7%	Canadian Western Bank, 2.12%, July 29, 2019	1.6%
Canada Housing Trust, 2.35%, June 15, 2023	3.5%	Genworth MI Canada, 4.242%, April 1, 2024	1.5%
Province of British Columbia, 3.20%, June 18, 2044	3.4%	Toronto Dominion Bank, Variable Rate, Callable, 3.22%, July 25, 2029	1.4%
Empire Life Insurance, Variable Rate, Callable, 3.66%, March 15, 2028	3.4%	Bell Canada, Callable, 7.30%, February 23, 2032	1.4%
Bank of Montreal, 2.27% July 11, 2022	2.8%	Canadian Imperial Bank of Commerce, 1.90%, April 26, 2021	1.4%
Royal Bank of Canada, 1.97%, March 2, 2022	2.6%	NHA MBS Toronto Dominion Bank, 6.75%, February 01, 2025	1.3%
Province of Saskatchewan, 2.75%, December 2, 2046	2.5%	Sub-total – largest 25 holdings	64.3%
Teranet Holdings, Callable, 4.81%, December 16, 2020	2.3%	Remaining holdings	35.7%
Fortis Inc., Callable, 6.51%, July 4, 2039	2.0%	Total Net Asset Value	100.0%



INTERIM FINANCIAL STATEMENTS for the six months ending June 30, 2018

THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.

Tradex Management Inc., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2018.

STATEMENTS OF FINANCIAL POSITION

	June 30, 2018 (Unaudited)	Dec. 31, 2017 (Audited)
Assets		
Current Assets		
Investments at fair value through profit and loss	\$ 23,883,022	\$ 23,453,798
Cash and cash equivalents	232,161	289,095
Receivable for investments sold	372,736	—
Dividends receivable	28,605	26,895
Accrued interest receivable	95,069	89,168
Subscriptions receivable	—	9,653
Total Assets	24,611,593	23,868,609
Liabilities		
Current Liabilities		
Payable for investments purchased	377,118	—
Accounts payable and accrued liabilities	29,999	43,333
Redemptions payable	—	—
Distributions payable to holders of redeemable units	—	—
Total Liabilities	407,117	43,333
Net assets attributable to holders of redeemable units	\$ 24,204,476	\$ 23,825,276
Units issued and outstanding, end of period (Note 7)	2,165,719	2,095,797
Net assets attributable to holders of redeemable units per unit (Note 2)	\$ 11.18	\$ 11.37

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

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

Patricia Hassard
Director

Karin Zabel, CPA, CA
Director

STATEMENTS OF COMPREHENSIVE INCOME *(Unaudited)*

	Six months ending June 30	
	2018	2017
Income		
Dividend income	\$ 162,876	\$ 163,023
Interest income for distribution purposes	257,871	279,447
Other changes in fair value of investments		
Net realized gain (loss) on sale of investments	(35,523)	81,650
Change in unrealized appreciation (depreciation) on investments	(358,000)	253,680
	27,224	777,800
Expenses (Note 6)		
Management fees	80,431	75,114
Investment advisory fees	19,836	18,314
Administration costs	31,162	28,594
Independent review committee	89	47
Audit fees	5,207	5,275
Custodian fees	3,124	2,228
Transaction costs	1,855	805
Registration fees and expenses	8,248	8,355
Total Expenses	149,952	138,732
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (122,728)	\$ 639,068
Weighted average units outstanding during the period	2,125,979	1,988,622
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$ (0.06)	\$ 0.32

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS *(Unaudited)*

	Six months ending June 30	
	2018	2017
Net assets attributable to holders of redeemable units at beginning of period	\$ 23,825,276	\$ 21,018,795
Increase (decrease) in net assets attributable to holders of redeemable units	(122,728)	639,068
Distributions		
Distributions to holders of redeemable units from net investment income	(284,222)	(315,357)
Redeemable unit transactions		
Proceeds from issuance of redeemable units	1,894,937	2,607,473
Reinvestment of distributions	266,355	293,723
Consideration paid for redemptions of redeemable units	(1,375,142)	(1,102,871)
Net increase (decrease) from redeemable unit transactions	\$ 786,150	\$ 1,798,325
Net increase (decrease) in net assets attributable to holders of redeemable units	\$ 379,200	\$ 2,122,036
Net assets attributable to holders of redeemable units at end of period	\$ 24,204,476	\$ 23,140,831

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

STATEMENTS OF CASH FLOWS *(Unaudited)*

	Six months ending June 30	
	2018	2017
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holder of redeemable units	\$ (122,728)	\$ 639,068
Adjustments for:		
Net realized (gain) loss on sale of investments	35,523	(81,650)
Net change in unrealized (appreciation) depreciation of investments	358,000	(253,680)
Purchase of investments	(6,272,141)	(3,913,010)
Proceeds from the sale of investments	5,453,776	2,379,271
Change in non-cash working capital items	(20,945)	5,214
Net cash from Operating Activities	(568,515)	(1,224,787)
Cash Flows from Financing Activities		
Proceeds from issuance of redeemable units	1,904,590	2,585,691
Consideration paid on redemption of redeemable units	(1,375,142)	(1,097,394)
Distributions paid to holders of redeemable units, net of reinvested distributions	(17,867)	(21,634)
Net cash used in Financing Activities	511,581	1,466,663
Increase (decrease) in cash and cash equivalents during the period	(56,934)	241,876
Cash and cash equivalents at beginning of period	289,095	130,852
Cash and cash equivalents at end of period	\$ 232,161	\$ 372,728
Interest received	\$ 251,970	\$ 286,355
Dividends received, net of withholding taxes	\$ 161,166	\$ 160,153

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

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2018

Bonds	Par value	Average cost	Fair value	% of total Fair value
Federal				
Canada Housing Trust No. 1, Series '66', 1.45%, June 15, 2020	\$ 900,000	\$ 890,118	\$ 890,352	
Canada Housing Trust No. 1, Series '71', 1.25%, June 15, 2021	941,000	924,632	916,779	
Canada Housing Trust No. 1, Floating Rate, September 15, 2022	1,000,000	1,003,050	1,006,880	
Canada Housing Trust No. 1, 2.35%, September 15, 2023	850,000	850,638	847,798	
Government of Canada, 3.50%, December 01, 2045	180,000	250,056	227,338	
NHA MBS Royal Bank of Canada, 2.25%, November 01, 2024	447,833	443,068	442,140	
NHA MBS Toronto-Dominion Bank (The), 6.75%, February 01, 2025	266,272	323,487	318,749	
PSP Capital Inc., Series '7', 3.29%, April 04, 2024	946,000	986,755	979,365	
		5,671,804	5,629,401	23.6%
Provincial / Municipal				
Province of Alberta, 2.90%, September 20, 2029	1,110,000	1,101,212	1,109,656	
Province of British Columbia, Series 'BCCD-24', 3.70%, December 18, 2020	460,000	499,518	477,057	
Province of British Columbia, 3.20%, June 18, 2044	770,000	810,620	810,772	
Province of Nova Scotia, Floating Rate, November 09, 2022	240,000	240,518	240,499	
Province of Ontario, 2.60%, June 02, 2025	435,000	448,678	432,486	
Province of Ontario, 2.40%, June 02, 2026	945,000	934,600	920,232	
Province of Saskatchewan, 3.20%, June 03, 2024	430,000	461,024	443,558	
Province of Saskatchewan, 2.75%, December 02, 2046	635,000	615,918	604,666	
		5,112,088	5,038,926	21.1%
Corporate				
Bank of Montreal, 2.27%, July 11, 2022	691,000	683,595	676,254	
Bank of Montreal, Callable, 2.84%, June 04, 2020	264,000	265,748	265,566	
Bell Canada, Callable, 7.30%, February 23, 2032	250,000	328,000	333,955	
Canadian Imperial Bank of Commerce, 1.90%, April 26, 2021	334,000	333,844	327,460	
Canadian Western Bank, Floating Rate, 2.12%, July 29, 2019	375,000	375,551	376,230	
Canadian Western Bank, 2.74%, June 16, 2022	187,000	185,855	184,614	
Empire Life Insurance Co. (The), Variable Rate, Callable, 3.66%, March 15, 2028	806,000	810,587	808,426	
Fifth Avenue L.P., Callable, Sinkable, 4.71%, August 05, 2021	258,574	258,577	269,220	
Fortis Inc., Callable, 6.51%, July 04, 2039	366,000	495,308	491,468	
Genworth MI Canada Inc., Callable, 4.24%, April 01, 2024	367,000	377,092	368,971	
Manufacturers Life Insurance Co. (The), Variable Rate, Callable, 3.18%, Nov. 22, 2027	226,000	229,345	227,110	
Royal Bank of Canada, 1.97%, March 02, 2022	640,000	623,589	622,157	
Strait Crossing Development Inc., 6.17%, September 15, 2031	353,999	352,314	386,069	
Teranet Holdings L.P., Callable, 4.81%, December 16, 2020	540,000	574,205	560,396	
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.22%, July 25, 2029	343,000	339,775	335,115	
		6,233,385	6,233,011	26.1%
Total Bonds		17,017,277	16,901,338	70.8%
Equities				
	Number of shares	Average cost	Fair value	% of total Fair value
Energy				
Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	15,000	\$ 206,850	\$ 300,000	
Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	11,050	177,693	216,580	
Pembina Pipeline Corp., Preferred, Series '1', Variable Rate, Perpetual	9,000	149,490	192,420	
Pembina Pipeline Corp., Preferred, Series '21', Variable Rate, Perpetual	6,002	149,930	150,890	
Ensign Energy Services Inc.	24,235	185,918	142,259	
		869,881	1,002,149	4.2%
Industrials				
Wajax Corp.	6,851	116,216	170,590	
Bird Construction Inc.	18,347	181,621	133,199	
Exchange Income Corp.	3,804	101,173	121,880	
Rocky Mountain Dealerships Inc.	8,876	63,064	97,725	
Chorus Aviation Inc.	11,918	71,575	83,903	
		533,649	607,297	2.5%
Materials				
Nutrien Ltd.	1,967	112,357	140,680	
Labrador Iron Ore Royalty Corp.	4,658	87,539	112,211	
		199,896	252,891	1.1%

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) June 30, 2018

Equities (cont'd)	Number of shares	Average cost	Fair value	% of total Fair value
Consumer Discretionary				
Dorel Industries Inc., Class 'B'	5,600	\$ 166,972	\$ 124,880	
Shaw Communications Inc., Class 'B'	5,011	130,813	134,195	
		297,785	259,075	1.1%
Consumer Staples				
North West Co. Inc. (The)	5,306	119,605	155,572	
George Weston Ltd., 4.75%, Preferred, Series 'V', Perpetual	6,542	145,146	145,036	
Rogers Sugar Inc.	20,180	108,872	106,954	
		373,623	407,562	1.7%
Financials				
Intact Financial Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	15,210	283,764	295,987	
Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	12,500	289,261	291,125	
Canadian Western Bank, Preferred, Series '5', Variable Rate, Perpetual	11,109	267,571	271,837	
Bank of Montreal, Preferred, Class 'B', Series '29', Variable Rate, Perpetual	11,000	256,080	255,200	
Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	9,669	202,502	227,415	
Canadian Imperial Bank of Commerce	1,955	185,972	223,574	
Toronto-Dominion Bank (The)	2,770	180,663	210,769	
Royal Bank of Canada	2,091	167,544	206,988	
Power Financial Corp.	6,495	200,512	199,721	
Fairfax Financial Holdings Ltd., Preferred, Series 'E', Variable Rate, Callable	10,174	170,360	191,271	
Brookfield Asset Management Inc., Preferred, Class 'A', Series '4', Floating Rate, Perpetual	10,190	147,599	174,147	
Sun Life Financial Inc., 4.45%, Preferred, Class 'A', Series '4', Perpetual	6,758	148,608	146,649	
IGM Financial Inc.	3,240	118,650	123,476	
Great-West Lifeco Inc., 5.25%, Preferred, Series 'S', Perpetual	5,000	124,163	122,600	
First National Financial Corp.	4,270	79,302	121,780	
		2,822,551	3,062,539	12.8%
Real Estate				
Dream Industrial REIT	13,117	92,364	135,367	
Northview Apartment REIT	3,544	88,461	93,136	
Killam Apartment REIT	2,368	22,742	35,473	
		203,567	263,976	1.1%
Telecommunication Services				
BCE Inc.	3,458	138,611	184,104	
		138,611	184,104	0.8%
Utilities				
Brookfield Renewable Partners L.P., Preferred, Series '11', Variable Rate, Perpetual	10,852	274,092	272,602	
Capital Power Corp., Preferred, Series '3', Variable Rate, Perpetual	10,000	157,012	224,500	
TransAlta Corp., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	10,633	126,187	189,586	
Capital Power Corp., Preferred, Series '7', Variable Rate, Perpetual	5,000	130,851	129,000	
TransAlta Renewables Inc.	10,161	103,109	126,403	
		791,251	942,091	3.9%
Total Equities		6,230,814	6,981,684	29.2%
Transaction costs		(3,790)	—	
Total portfolio of investments		\$ 23,244,301	\$ 23,883,022	100.0%

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

1. Background

Tradex Bond 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 Bond Fund. These financial statements were authorized for issue by Tradex Management Inc. on August 23, 2018.

2. Summary of significant accounting policies

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

Basis of preparation

Standards and amendments to existing standards effective 1 January 2018

The Fund has adopted the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

IFRS 9 ‘Financial instruments’

The adoption of IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior period.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning January 1, 2018 that have a material effect on the financial statements of the Fund.

In addition to the above, a number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019 and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

Financial assets and financial liabilities at fair value through profit or loss (extracts).

Classification

Assets

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss.

Liabilities

The Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.

The Fund’s policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Investments in financial assets previously designated at fair value through profit or loss

The Fund holds equity securities and debt securities which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 these securities are mandatorily classified as fair value through profit or loss.

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 price 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 in the Statements of Comprehensive Income.

Receivable for investments sold and Payable for investments purchased

Amounts receivable for investments sold and payable for investments purchased represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The receivable for investments sold balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts receivable for investments sold at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the purchaser, probability that the purchaser will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest

income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

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 derivatives and securities not quoted in an active market

If the Fund holds financial instruments that are not quoted in active markets, including derivatives, 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.

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 reclassified 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 outstanding as at the end of the period divided by the number of units outstanding as at that date. 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 period divided by the weighted average number of units outstanding over the period.

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.

As at December 31, 2017, the Fund had no non-capital losses and \$755,565 in 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.

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 June 30, 2018 is as follows:

Level 1 Assets – \$6,981,684 in equities that trade in an active market on a recognized stock exchange and \$232,161 in cash and cash equivalents (\$6,984,603 and \$289,095, respectively, on December 31, 2017).

NOTES TO FINANCIAL STATEMENTS (Unaudited) June 30, 2018 (continued)

Level 2 Assets – \$16,901,338 consisting in bonds that trade in the Canadian bond market (\$16,469,195 on December 31, 2017).

There were no Level 3 assets on June 30, 2018 or December 31, 2017.

There were no transfers between levels during the period ended June 30, 2018 or December 31, 2017.

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, economic conditions and market and company news related to specific securities within the Fund.

Tradex Bond Fund's investment objective is to achieve a combination of income and long-term capital preservation by investing primarily in a diversified portfolio of investment grade Canadian bonds. In addition, up to 30% of the portfolio may be invested in income producing equity securities, such as common shares of Canadian companies that pay dividends, real estate investment trusts, preferred shares and income trusts. The average term to maturity of the bond portfolio must be greater than three years.

Investment strategies

The portfolio advisor utilizes interest rate anticipation, credit sector and security selection strategies in the context of a long term, bottom-up, value oriented approach. The approach for fixed income securities is conservative in nature and is based upon an overall forecast derived from both macroeconomic and technical analysis, with the selection of bonds based upon optimal risk/return characteristics. The equity portion of the Fund will be a diversified portfolio of quality companies that are deemed to be undervalued relative to their intrinsic value and selected to enhance the yield of the Fund, with the intention to reduce the negative impact on the portfolio's market value should interest rates rise.

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 short-term investments) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund did not have exposure to currency risk as all monetary assets are denominated in Canadian dollars.

(b) Credit risk

As at June 30, 2018 approximately 86% of the Fund's investment portfolio was invested in debt securities and preferred shares (86% on December 31, 2017). 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 June 30, 2018 and December 31, 2017, the Fund's credit risk exposure, grouped by credit ratings, is listed in the following table (for a listing by the type of issuer as at June 30, 2018 see the Schedule of Investment Portfolio):

As a percentage of Net Assets

Credit Rating	30-June-18	31-Dec-17
AAA	29%	28%
AA	13%	13%
A	21%	20%
BBB	7%	9%
Pfd - 1	0%	0%
Pfd - 2	6%	6%
Pfd - 3	9%	10%

(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 Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing level of market interest rates.

As at June 30, 2018 and December 31, 2017, the Fund's exposure to debt instruments by maturity was as follows (\$'000):

Maturity Date	30-June-18	31-Dec-17
Less than 3 years	3,814	1,106
3-5 years	2,999	3,973
Greater than 5 years	10,088	11,390

As at June 30, 2018, if the prevailing interest rates had been raised or lowered by 0.25%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, by approximately \$270,000 (approximately \$285,000 as at December 31, 2017). The Fund's interest rate sensitivity was based, portfolio weighted, on duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(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, credit 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.

NOTES TO FINANCIAL STATEMENTS (Unaudited) June 30, 2018 (continued)

As at June 30, 2018 approximately 30% of the Fund's investment portfolio was traded on a recognized stock exchange (30% as at December 31, 2017). If equity prices on stock exchanges had increased or decreased by 10% as at the year end, with all other factors remaining constant, assets could possibly have increased or decreased by approximately \$698,000 (\$698,000 as at December 31, 2017). 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. The units of the Fund are issued and redeemed on demand at the then current net asset value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority (if not all) 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 4) and Schedule of Investment Portfolio.

5. 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, plus applicable taxes.

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, \$74,128 in expenses were reduced for the Fund through such transactions.

6. Units capitalization

The capital of the Fund is represented by issued redeemable units that have no par value. They are entitled to distributions, if any, and to payment of a proportionate amount based on the Fund's net asset value per 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 two periods ending June 30 were as follows:

	2018	2017
Outstanding, beginning of period	2,095,797	1,890,626
Issued	168,310	230,081
Reinvestment of distributions	23,786	25,926
Redeemed	(122,174)	(96,975)
Outstanding, end of period	2,165,719	2,049,658

BOARD OF DIRECTORS AND OFFICERS

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*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)
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*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*

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*Tradex Management Inc.
Vice President, Operations*

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