

Tradex Mutual Funds

Over 60 years investing for Canadian public servants

By Robert Todd

In the late 1950's, several young Trade and Commerce officers sought a means to invest in Canada's economic growth when posted abroad. Because their work provided them inside knowledge of Canadian exporters' plans, avoiding conflict of interest was a significant ethical issue. How to do this?

A mutual fund using a professional investment portfolio manager, following the no-load model, offered a potential solution: no personal involvement in stock decisions; least-cost investing, and 'invest and forget' environment for an era of slow international communications. In 1959, of the 16 funds then operating, only one Canadian mutual fund was 'no-load'.

Convincing the higher-ups to approve this proposal was the challenge. In the end, a no-load mutual fund restricted

to employees of the two federal departments with staff overseas was approved by the Deputy Minister of Trade and Commerce, the Minister of Finance, the Secretary of State for External Affairs, and Prime Minister John Diefenbaker.

"Tradex Investment Fund Limited" (TIF), a federally registered company, was incorporated on January 29, 1960. Shares (\$5 each) were issued, along with its first valuation on April 30, 1960. Members (still called by this inclusive name) paid a \$5 registration fee to help recoup the cost (\$1,816) of establishing the Fund. By the end of its first year of operation, Tradex had 147 members and \$119,075 in assets, including 23 Canadian stocks.

A ten-person volunteer Board of Directors met monthly to manage the Fund, contracting administration to Royal Trust. In 1969, Fry Investment

Management (later Sceptre Investment Counsel) replaced Andreae, Cole & Thompson as investment counsel. From April 1970, eligibility to invest in Tradex was extended to all federal government employees.

In 1978, Tradex shared office facilities in a modest downtown building with the Civil Service Mutual Benefit Society. As membership increased, Tradex hired staff and in 1982 prepared its first Annual Summary Statement for investors and began weekly valuation of TIF shares.

Fund performance has always been a focus of members. In its first year of operation, TIF had a 30% rate of return. By March 1980, share values had increased, leading to a four-for-one stock split. A Financial Times survey of Canada's 55 mutual funds with a ten-year performance record reported Tradex was first over ten



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years and fourth over five years. By the end of 1987, Tradex had \$50 million in assets under management and over 5,000 accounts, including newly created RRSP accounts!

To address a larger membership and a more diverse investment environment, in 1988, Canada Trust became Registrar, Custodian and RRSP trustee, offering more services than its predecessor at no higher cost. To cover administrative costs and to allow the fund to offer members a wider range of services, 95% of Tradex members accepted the Board's proposal to create a new federally chartered company, "Tradex Management Inc." (TMI). It would manage the business of the funds and operate the office in exchange for an annual management fee of 0.6% of net assets. This arrangement had the advantage that income surplus to annual operating and reserve requirements would be rebated to members as lowered fees.

Doubts about investing only in equities, following the market drop in October 1987, led the Board to offer a fixed income fund investing in Government of Canada bonds and Treasury Bills. Elliot and Page of Toronto was investment manager for the 1989 "Tradex Security Fund" (TSF).

Managing Tradex's affairs has been a passion of its Board members. Gordon McCormack, an early investor and Director, became part-time General Manager from 1985 until April 1990, when the Board appointed Andrew Billingsley, an employee of Statistics Canada and Tradex Director, as its new full-time President.

He oversaw a broadening range of services being offered. The President's Quarterly Reports provided context to the investment environment and performance details for Tradex funds. Eligibility to purchase Tradex's funds was extended to federal, provincial and municipal employees across Canada, along with their family members. Fund names were clarified

- "Tradex Investment Fund Limited" became "Tradex Equity Fund Limited", and the Security Fund became "Tradex Bond Fund". A "Tradex Investment Savings" account was offered in 1993, being a high daily interest savings account through a major trust company.

A new fund was created in 1994, "Tradex Emerging Markets Country Fund", focusing on interest in newly industrializing countries. Its portfolio manager used closed-end country specific funds as its preferred investment vehicle. The fund's investment objectives were later broadened to include Europe and the USA, and it was renamed the "Tradex Global Equity Fund". Tradex also assisted Ottawa-based funds sponsored by the Professional Institute of the Public Service (PIPS) and the Professional Association of Foreign Service Officers (PAFSO).

Before Y2K, Tradex surpassed \$100 million in assets under management. It also changed investment managers for the Equity Fund and the Bond Fund to improve performance and reduce costs for members.

Tradex's past twenty-five years have been no less exciting than its early years. It has established itself as a respected niche player in a highly competitive field. This is a tribute to the focus of its managers (Board and professional staff), the skill and insight of its investment counsel and the faith of its members, who continue to entrust Tradex with their savings and their expectations of its continuing success. ■

Robert Todd was a Director of Tradex from 2002 until 2017. He remains a member of the Tradex Independent Review Committee. With all of this, he found time for a satisfying career at ExtAff-DEAIT and to have a happy and fulfilling family life.

Annonces/Announcements

ARTHABASKA - À la croisée des destins

Notre collègue, Claire Poulin, vient de publier un excellent roman dont deux chapitres (premier et dernier) forment les volets "diplomatiques" d'une histoire trépidante.

ARTHABASKA est un récit "transatlantique" qui nous fait voyager de la France au Canada à travers des personnages hors du commun. Cela nous amène dans la région des Bois-Francs d'où Claire est originaire. Par ses talents d'écriture, elle a su très bien romancer une histoire attachante inspirée de la vie de sa mère, institutrice dans une école de rang du Québec. "Avec mes mots, je veux que les lecteurs

voyagent, qu'ils s'imaginent chaque endroit et qu'ils se sentent transportés dans le temps", nous a-t-elle confié. Cela, elle l'a très bien réussi puisque la force de ses personnages nous fait vivre des rêves, des angoisses et des rebondissements pittoresques, témoins d'habitudes culinaires et de péripéties dignes d'une autre époque.

Ce premier roman de Claire Poulin (qui ne sera pas le dernier car elle planche déjà sur un deuxième) peut être commandé directement de la plateforme des Éditions Spinelle en France via le lien suivant: <https://www.editions-spinelle.com/index.php/litterature/litterature-generale/romans/arthabaska-a-la-croisee-des-destins>