



## **Ridgewood Canadian Bond Fund**

Interim Report of Fund Performance  
For the six months ended June 30, 2010

# Ridgewood Canadian Bond Fund

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## Management Report on Fund Performance

For the six months ended June 30, 2010

### Management Report on Fund Performance

This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financials statement at your request, and at no cost, by calling 416-842-0887 or 1-888-789-8957 toll free, or by writing to us at Investor Relations, Ridgewood Capital Asset Management Inc., 55 University Avenue, Suite 1020, Toronto, Ontario, M5J 2H7, or by visiting our website at [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the Fund's quarterly portfolio disclosure.

### Summary of Investment Portfolio

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca).

#### Asset Mix

June 30, 2010

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	83.2	Cash & Short-Term Investments	5.8
Federal Bonds	12.6	Other Net Assets (Liabilities)	-1.6

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## Management Report on Fund Performance

For the six months ended June 30, 2010

### Top 25 Holdings

	% of Total Net Asset Value
1. Canada Government 5.000% Jun 01 2037	9.5%
2. Merrill Lynch Financial 5.552% Aug 12 2017	9.0%
3. CIBC Capital Trust 9.976% Jun 30 2108	7.3%
4. Citigroup Inc. Variable 4.650% Oct 11 2022	5.5%
5. Merrill Lynch Financial 4.878% Apr 12 2017	5.3%
6. Manulife Financial Capital Trust 7.405% Dec 31 2108	4.6%
7. Goldman Sachs Group Inc. 5.200% Apr 19 2022	4.4%
8. TD Capital Trust 6.631% Jun 30 2108	4.3%
9. YPG Holdings Inc. 7.750% Mar 02 2020	3.7%
10. Merrill Lynch Financial 2007 4.642% Jan 12 2040	3.4%
11. Canada Treasury Nov 10 2010	3.3%
12. Canada Government 1.000% Sep 01 2011	3.1%
13. National Bank of Canada 7.447% Jun 30 2049	2.7%
14. Shaw Communications Inc. 6.750% Nov 09 2039	2.4%
15. Manitoba Telecom Service 5.625% Dec 16 2019	2.4%
16. CIBC Capital Trust 10.250% Jun 30 2108	2.4%
17. JP Morgan Chase 5.058% Feb 22 2021	2.3%
18. KimCo North Trust 5.990% Apr 13 2018	2.3%
19. Merrill Lynch & Co 5.290% May 30 2022	2.2%
20. TD Capital Trust 9.523% Jun 30 2049	2.0%
21. Citigroup Fin Canada 6.750% Sept 22 2014	1.7%
22. Brookfield Renewable Power 6.132% Nov 30 2016	1.7%
23. Inter Pipeline Corridor 4.897% Feb 3 2020	1.6%
24. Shaw Communications Inc. 5.650% Oct 01 2019	1.6%
25. Met Life Global Funding Floating 2.881% Jun 29 2011	1.6%
	90.3%

### Results of Operations

For the six months ended June 30, 2010, the net asset value of the Fund for pricing purposes was \$11.84 per unit compared to \$11.17 per unit at December 31, 2009.

For more detailed information on the investment returns, please see the Annual Total Return bar graph.

For the six months ended June 30, 2010, the fund had a positive return of 6.58% gross of fees of 1.00% while the DEX Universe Bond Index had a return of 4.22%. The bond market has been a safe and profitable sector of the capital markets with virtually all credit markets providing attractive opportunities. The strategy of the Fund has been to overweight corporate bonds relative to its benchmark as yields represent value relative to Government bonds. Term to maturity was also longer than average, which enabled the Fund to produce positive results.

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For the six months ended June 30, 2010

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information for the years ended December 31 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2010 is derived from the Fund's unaudited semi-annual financial statements. For June 30, 2010, the Net Assets included in the Net Assets per Unit table is from the Fund's unaudited financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purpose and calculated using closing prices. All other calculations for the purposes of this MRFP are made using Net Asset Value.

	Six months ended	Years ended December 31			
	2010	2009	2008	2007	2006
<b>THE FUND'S NET ASSETS PER UNIT</b>					
<b>Net Assets, Beginning of Period <sup>(1)</sup></b>	<b>\$ 11.14</b>	<b>\$ 10.38</b>	<b>\$ 10.17</b>	<b>\$ 10.21</b>	<b>\$ 10.22</b>
<b>INCREASE (DECREASE) FROM OPERATIONS</b>					
Total revenue	0.32	0.58	0.48	0.52	0.50
Total expenses	(0.07)	(0.13)	(0.11)	(0.11)	(0.11)
Realized gain (loss) for the period	0.14	0.72	0.03	(0.26)	(0.01)
Unrealized gain (loss) for the period	0.30	0.18	0.09	(0.06)	(0.12)
<b>Total Increase (Decrease) from Operations <sup>(2)</sup></b>	<b>0.69</b>	<b>1.35</b>	<b>0.49</b>	<b>0.09</b>	<b>0.26</b>
<b>DISTRIBUTIONS TO UNITHOLDERS</b>					
From taxable income	-	(0.44)	(0.33)	0.24	(0.34)
From capital gains	-	(0.22)	-	-	-
<b>Total distributions <sup>(3)</sup></b>	<b>-</b>	<b>(0.66)</b>	<b>(0.33)</b>	<b>0.24</b>	<b>(0.34)</b>
<b>Net Assets, End of Period <sup>(1)</sup></b>	<b>\$ 11.81</b>	<b>\$ 11.14</b>	<b>\$ 10.38</b>	<b>\$ 10.17</b>	<b>\$ 10.22</b>
<sup>(1)</sup> This information is derived from the Fund's audited annual and unaudited semi-annual financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for fund pricing purposes. Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of liabilities on that date and including the valuation of securities at bid prices divided by the number of units then outstanding.					
<sup>(2)</sup> Total increase (decrease) from operations consists of interest revenue, realized and unrealized gains (losses), less expenses, and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.					
<sup>(3)</sup> Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.					
<b>RATIOS/SUPPLEMENTAL DATA</b>					
Net Asset Value, end of period (\$millions)	<b>\$129.63</b>	<b>\$87.88</b>	<b>\$55.96</b>	<b>\$34.64</b>	<b>\$39.28</b>
Number of units outstanding	<b>10,947,313</b>	<b>7,867,379</b>	<b>5,384,157</b>	<b>3,407,671</b>	<b>3,842,002</b>
Management expense ratio (including GST) <sup>(1)</sup>	<b>1.07%</b>	<b>1.07%</b>	<b>1.04%</b>	<b>1.06%</b>	<b>1.07%</b>
Management expense ratio including expenses absorbed by the Manager	<b>1.07%</b>	<b>1.24%</b>	<b>1.04%</b>	<b>1.06%</b>	<b>1.07%</b>
Portfolio turnover rate <sup>(2)</sup>	<b>73.00%</b>	<b>272.92%</b>	<b>212.66%</b>	<b>273.89%</b>	<b>183.41%</b>
<b>Net Asset Value per unit, end of period <sup>(3)</sup></b>	<b>\$ 11.84</b>	<b>\$ 11.17</b>	<b>\$ 10.39</b>	<b>\$ 10.17</b>	<b>\$ 10.22</b>

# Ridgewood Canadian Bond Fund

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## Management Report on Fund Performance

For the six months ended June 30, 2010

- (1) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes but excluding transaction fees charged to the Fund to the average net assets.
- (2) 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 a 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 the performance of a Fund.
- (3) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at prices divided by the number of units then outstanding.

## Management Fees

Ridgewood Capital Asset Management Inc. (the "Manager") is entitled to an annual management fee payable out of the assets of the Fund. The maximum management fee is equal to 1.00% (excluding GST) of the weighted average net asset value of the Fund less ordinary expenses of the Fund. The management fee is calculated on a monthly basis as of the last valuation date of each month. Services received under the Master Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund.

## Recent Developments

The Bank of Canada has begun to raise rates starting at the June 1 meeting with an initial 25 basis point hike with expectations of another 25 basis point increase at the July and September meetings. The bond market has priced this in and therefore the returns to investors have not been adversely affected. With inflation low and likely contained, mid to longer term bonds have remained in a narrow trading range.

Unitholders approved a change in investment objective of the Fund effective March 26, 2010. In accordance with the new investment objective, the Fund was permitted to invest in corporate bonds with a minimum rating of "BBB" (or its equivalent), rather than "A".

Effective July 1, 2010, Ontario and British Columbia provincial sales tax was harmonized with the federal goods and service tax (GST), resulting in a federally administered tax ("HST"). Management fees and other service fees charged to the fund were previously not subject to Retail Sales Tax (PST). Under the new place of supply rules, these services are subject to provincial sales tax. The HST is expected to have a significant impact on investment funds as investment funds will not be entitled to recover this additional cost since investment funds are not currently able to recover the 5% GST.

## Past Performance

The past performance of the Fund is set out below and indicates year-by-year returns, overall past performance and annual compound returns.

With respect to the charts displayed below, please note the following:

- the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund;
- the return or performance information does not take into account optional charges or income taxes payable that would have reduced returns or performance; and
- how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

# Ridgewood Canadian Bond Fund

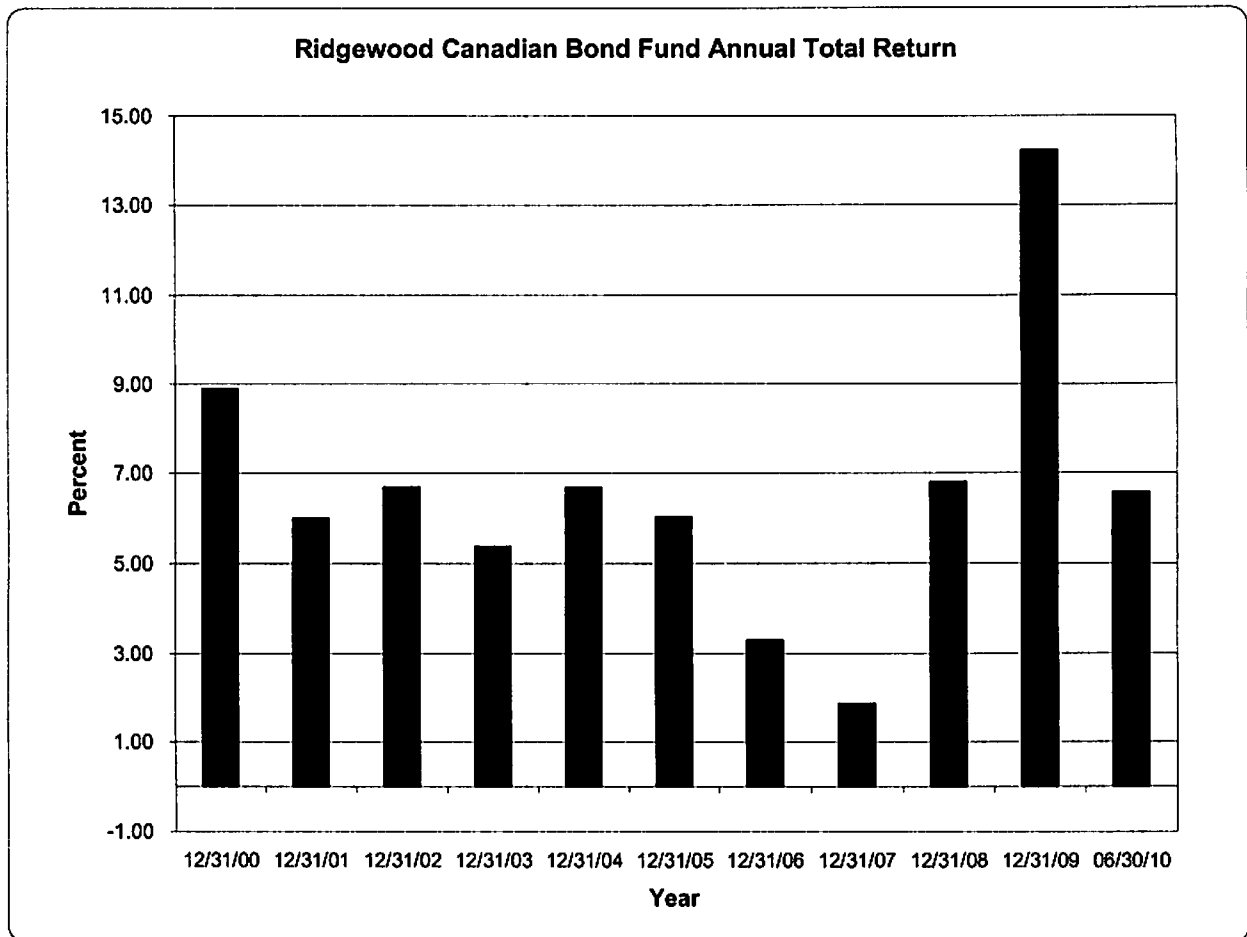
## Management Report on Fund Performance

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### Year-By-Year Returns

The bar chart illustrates how the Fund's annual total return in each of the past ten years including the six month period ended June 30, 2010 has varied from period to period. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of that fiscal year, or June 30, 2010 for the six months then ended.

### Annual Total Return



### Related Party Transactions

Ridgewood Capital Asset Management Inc. ("Ridgewood") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to a Master Investment Management Agreement made between Ridgewood in its capacity as investment advisor and Ridgewood in its capacity as trustee dated September 1, 2008.

Ridgewood is the Manager and Trustee of the Fund pursuant to a Declaration of Trust dated September 1, 2008, and, as such, is responsible for providing or arranging for required administrative services to the Fund.

# Ridgewood Canadian Bond Fund

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## Management Report on Fund Performance

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### Independent Review Committee

National Instrument 81-107- Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The current members of the IRC are G. Tomlinson Gunn, Allen B. Clarke, and Marshall E. Nicholishen. Mr. Gunn serves as the Chair of the IRC.

We confirm the Fund did not rely on any approvals or recommendation of the IRC concerning related party transactions during the year.

### Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund actions, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

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