ridgewood CAPITAL ASSET MANAGEMENT

Ridgewood Canadian Bond Fund

Condensed Semi-Annual Financial Report (Unaudited)
For the six months ended June 30, 2014

Ridgewood Canadian Bond Fund

Condensed Semi-Annual Financial Report (Unaudited)

Message to Unitholders

Volatility in both the bond and equity markets during the first half of 2014 has continued to decline with rising prices across the board. Canadian equities and bonds have been strong performers as investors are continuing to add money to financial assets. Corporate bonds are performing well in this environment as the additional yield over Government bonds makes them more attractive. Refinancing this year has been slightly below 2013 levels while interest has been considerably higher. For investors, this is a conducive environment for capital gains and relatively attractive income. As interest rates have fallen, and demand for long bonds has been strong, the yield curve has flattened in a bullish fashion.

Long term corporate bonds performed the best on both a relative and absolute basis. Short term government bonds were one of the worst performers in this period. They had a low starting yield to begin with and rates at that end of the yield curve have not declined significantly. The attraction of long duration assets with yield has provided investors in long corporate bonds with double digit returns.

The Bank of Canada has maintained its dovish bias to not only rates but to the Canadian dollar. Although the U.S. economy continues to grow steadily, small cracks are appearing not only in Europe but China as well. This has kept central banks globally still on deflation watch for the most part, although the risk of that in North America is quite low.

It appears that the global economy is on track for modest positive growth in the second half of 2014, albeit in a low inflationary environment. We have extended term in our portfolio to take advantage of the attractive yield pickup and demand for long duration assets. Corporate bonds continue to represent fair value and we will maintain a fully invested position.

June 30, 2014

CONDENSED UNAUDITED SEMI-ANNUAL REPORT STATEMENT

The accompanying condensed semi-annual financial statements have not been reviewed by the external auditors of the Fund. The external auditors will be auditing the annual financial statements of the Fund in compliance with International Financial Reporting Standards.

Ridgewood Canadian Bond Fund

Management's Responsibility for Financial Reporting

The condensed semi-annual financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this condensed interim report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 4 of the financial statements.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

John H. Simpson, CFA	Paul W. Meyer, CFA
Managing Director	Managing Director
Ridgewood Capital Asset Management Inc.	Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Bond Fund

CONDENSED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2014, December 31, 2013 and January 1, 2013 (unaudited)

	30-Jun-14	31-Dec-13 (Restated - Note 12)	1-Jan-13 (Restated - Note 12)
	$	$	$
Assets			
Current assets			
Financial assets at fair value through profit or loss (Cost: 30-Jun-14 - $49,623,163; 31-Dec-13 - $44,979,737; 31-Jan-13 - $83,635,488)	**51,997,328**	45,520,089	85,621,022
Short-term investments at fair value (Cost: 30-Jun-14 - $8,231,746; 31-Dec-13 - $815,626; 31-Jan-13 - $21,535,263)	**8,231,746**	815,629	21,535,263
Cash	**126,079**	69,674	349,999
Interest receivable	**241,574**	174,660	381,804
Dividends receivable	**-**	-	-
Prepaid fees	**7,169**	4,894	4,734
Subscriptions receivable	**-**	9,927	63,500
Total Assets	**60,603,896**	46,594,873	107,956,322
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	**-**	-	-
Accrued liabilities	**72,789**	83,163	162,096
Distributions Payable	**74,660**	-	238,275
Due to Brokers	**3,194,619**	-	-
Redemptions payable	**66,236**	216,260	298,386
Total Liabilities (excluding net assets attributable to holders of redeemable units)	**3,408,304**	299,423	698,757
Net Assets attributable to holders of redeemable units	**57,195,592**	46,295,450	107,257,565
Number of Units Outstanding (Note 4)	**4,977,356**	4,211,098	9,531,017
Net assets attributable to holders of redeemable units per unit	**11.4912**	10.9937	11.2535

On behalf of the Manager,
Ridgewood Capital Asset Management Inc.

Director
John H. Simpson, CFA

Director
Paul W. Meyer, CFA

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended June 30, 2014 and 2013 (Unaudited)

	2014	2013 (Restated - Note 12)
	$	$
Income		
Interest income for distribution purpose	**954,307**	1,637,340
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss		
Gain on sale of investments	**132,810**	975,469
Change in unrealized (depreciation) appreciation of investments	**1,833,812**	(3,327,352)
Total income (loss)	**2,920,929**	(714,543)
Expenses (Note 5)		
Management fees	**157,735**	325,806
HST expense	**26,471**	47,833
Administrative and other expenses	**44,317**	74,522
Custodian fees	**14,733**	34,572
Audit fees	**18,208**	8,694
Legal fees	**16,923**	3,201
Independent Review Committee fees	**8,933**	8,933
Total operating expenses	**287,320**	503,561
Operating profit (loss)	**2,633,609**	(1,218,104)
Increase (decrease) in net assets attributable to holders of redeemable units	**2,633,609**	(1,218,104)
Daily average number of units	**4,417,913**	8,077,340
Increase (decrease) in net assets attributable to holders of redeemable units per unit	**0.5961**	(0.1508)

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

Ridgewood Canadian Bond Fund

CONDENSED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
For the six months ended June 30, 2014 and 2103 (Unaudited)

	2014	2013 (Restated - Note 12)
	$	$
Net Assets Attributable to Holders of Redeemable units at beginning of period	46,295,450	107,257,565
Distributions to redeemable unitholders		
From net investment income	**(488,933)**	(1,153,494)
From return of capital	**-**	-
Redeemable Unit Transactions (Note 4)		
Proceeds from units issued	22,613,003	8,468,900
Amount paid for units redeemed	(14,188,438)	(37,289,168)
Reinvestment of distributions	330,901	1,123,766
	8,755,466	(27,696,502)
Increase (decrease) in net assets attributable to holders of redeemable units	2,633,609	(1,218,104)
Net Assets Attributable to Holders of Redeemable units at end of period	57,195,592	77,189,465

CONDENSED SCHEDULE OF REALIZED GAIN ON SALE OF INVESTMENTS
For the six months ended June 30, 2014 and 2103 (Unaudited)

	2014	2013
	$	$
Proceeds from sale of investments	47,452,712	182,980,217
Cost of investments sold		
Cost of investments, beginning of period	44,979,737	83,635,488
Cost of investments purchased	51,963,327	175,396,869
	96,943,064	259,032,357
Cost of investments, end of period	(49,623,162)	(77,027,609)
	47,319,902	182,004,748
Gain (Loss) on sale of investments	132,810	975,469

CONDENSED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2014 and 2103 (Unaudited)

	2014	2013 (Restated - Note 12)
	$	$
Cash provided by (used in) operating activities		
Net increase (decrease) in net assets attributable to holders of redeemable units	**2,633,609**	(1,218,104)
Adjustments for		
Interest income on short-term notes	**(7,142)**	(26,508)
Net realized gains (losses) on investments excluding foreign currency	**(132,810)**	(975,469)
Net change in unrealized appreciation (depreciation) on investments	**(1,833,812)**	3,327,352
Purchase of investments	**(84,974,220)**	(249,587,468)
Proceeds from sale of investments	**73,054,628**	276,531,975
Increase (Decrease) in interest and dividends receivable	**(66,914)**	103,258
Increase (Decrease) in other receivable	**(2,275)**	(1,260)
Increase (Decrease) in accrued expenses and other liabilities	**(10,374)**	(45,773)
Increase (Decrease) in investment purchases payable	**3,194,619**	-
Net cash provided by (used in) in operating activities	**(8,144,691)**	28,108,003
Cash provided by (used in) financing activities		
Subscriptions received in advance	**9,927**	63,500
Payable for units redeemed	**(150,024)**	564,786
Distributions paid to holders of redeemable units, net of reinvested distributions	**(83,372)**	(126,800)
Proceeds from issuance of shares	**22,613,003**	8,468,900
Payment for redemption of shares	**(14,188,438)**	(37,289,168)
Net cash provided by (used in) financing activities	**8,201,096**	(28,318,782)
Increase (decrease) in cash	**56,405**	(210,779)
Cash, beginning of period	**69,674**	349,999
Cash, end of period	**126,079**	139,220
Interest received	**887,393**	1,740,598
Dividends received, net of withholding taxes	**-**	-

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

Ridgewood Canadian Bond Fund

Condensed Schedule of investments

As at June 30, 2014

Par Value		Average Cost	Fair Value	% of Portfolio
		$	$	
Short-term Investments				
Treasury Bills				
8290000	Canadian Treasury Bill, 0.984%, March 12, 2015	8,231,746	8,231,746	14.39%
Investments				
Federal Bonds				
6320000	Canada Housing Trust No.1, 2.350%, September 15, 2023	6,195,496	6,198,225	
2000000	Canadian Government Bond, 2.500%, June 01, 2024	2,044,600	2,046,804	
5000000	Canadian Government Bond, 3.500%, December 01, 2045	5,634,448	5,749,994	
Total Federal Bonds		13,874,544	13,995,023	24.47%
Provincial Bonds				
2000000	Province of British Columbia, 3.300%, December 18, 2023	1,948,640	2,083,531	
1000000	Province of Alberta, 3.450%, December 01, 2043	976,000	987,014	
2000000	Province of Ontario, 3.450%, June 02, 2045	1,890,210	1,908,258	
3000000	Province of New Brunswick, 2.850%, June 02, 2023	2,982,480	2,979,118	
Total Provincial Bonds		7,797,330	7,957,921	13.91%
Municipal Bonds				
1633000	New Brunswick Municipal Finance Corp., 3.300%, November 30, 2024	1,621,798	1,581,985	2.77%
Total Municipal Bonds		1,621,798	1,581,985	2.77%
Corporate Bonds				
2000000	Calloway Real Estate Investment Trust, 3.749%, February 11, 2021	2,001,580	2,047,057	
1000000	Choice Properties REIT, 3.498%, February 08, 2021	1,000,000	1,018,060	
2000000	Citigroup Inc., 5.160%, May 24, 2027	2,019,500	2,079,532	
1000000	Goldman Sachs Group Inc., 3.550%, February 12, 2021	998,890	1,019,187	
2000000	Merrill Lynch & Co., Inc., 5.290%, May 30, 2022	2,032,480	2,115,004	
3400692	OMERS Realty Corp., 3.666%, December 05, 2022	3,400,691	3,433,714	
1200000	RioCan Real Estate Investment Trust, 3.746%, May 30, 2022	1,200,000	1,213,137	
1000000	Shaw Communications Inc., 6.750%, November 09, 2039	1,201,800	1,219,188	
1000000	Sobeys Inc., 6.640%, June 07, 2040	1,200,700	1,208,155	
Total Corporate Bonds		15,055,641	15,353,034	26.84%
Mortgage Backed Securities				
4000000	Merrill Lynch Financial Assets Inc., 5.192%, January 12, 2040	3,718,200	4,000,000	
3710000	Merrill Lynch Financial Assets Inc., 5.733%, May 12, 2044	3,507,249	3,830,575	
5188000	Merrill Lynch Financial Assets Inc., 5.219%, March 12, 2049	4,048,401	5,278,790	
Total Mortgage Backed Securities		11,273,850	13,109,365	22.92%
Total Bonds and Mortgage Backed Securities		49,623,163	51,997,328	90.91%
Total Investments		57,854,909	60,229,074	105.30%
Cash and other assets, net of liabilities			(3,033,482)	-5.30%
Net assets			57,195,592	100.00%

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

1. Establishment of the Fund

Ridgewood Canadian Bond Fund (the "Fund") is an open-end trust existing under the laws of the Province of Ontario and governed by an amended and restated Master Declaration of Trust dated September 1, 2008, executed by Ridgewood Capital Asset Management Inc. ("Ridgewood" or the "Manager") in its separate capacities as manager and trustee of the Fund, and a Fund Declaration dated February 18, 1999, as amended on September 1, 2008 and further amended on March 15, 2010. The Fund began operations on February 19, 1999. The Fund's principal office is 55 University Avenue, Suite 1020, Toronto, Ontario M5J 2H7. The fiscal year end of the Fund is December 31.

Ridgewood is also the investment manager and distributor of units of the Fund. RBC Investor & Treasury Services is the custodian and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The financial statements are authorized for issuance by Ridgewood Capital Asset Management Inc. on August 14, 2014.

2. Investment objective of the Fund

The investment objective of the Fund is to achieve a high level of income, consistent with the preservation of capital and liquidity, from a portfolio of fixed income securities. The Fund is invested primarily in liquid Canadian federal and provincial government securities and those of Canadian corporations rated "BBB" or better by Canadian Bond Rating Service Limited or Dominion Bond Rating Service Limited or other recognized rating agencies. The Fund may also invest in comparable fixed income securities of foreign issuers. Assets of the Fund may also be held in interest-bearing accounts at a bank or trust company, including the custodian, invested in guaranteed investment certificates or invested in Canadian short-term debt obligations.

3. Basis of Presentation and adoption of IFRS

These condensed semi-annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board, International Accounting Standard (IAS)34. Interim Financial Reporting. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

4. Summary of significant accounting policies

Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL), including certain investments in debt securities which have been designated at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is present at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, on the accrual basis based on the bond coupon rate. The Fund's accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

4. **Summary of significant accounting policies (continued)**

Functional and Presentation Currency Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The Fund's investment portfolio is predominately Canadian and the functional currency is the Canadian dollar. The financial statements of the Fund are presented in Canadian dollars which is the Fund's presentation currency.

Capital Disclosures

The Fund's objectives, policies and processes for managing capital are described in Note 2. Information on the Funds' capital structure is described in Note 4 and 6. The Fund does not have any externally imposed capital requirements.

Valuation of Investments

The Fund's financial instruments may include short-term investments and bonds (collectively referred to as investments), cash, subscriptions receivable, due from broker, due to broker, redemptions payable, distributions payable and accrued expenses. Investments are valued at fair value using the policies described below.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In 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 the specific facts and circumstances. The Fund policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3.

Investments are recorded in the financial statements at their fair value which is determined as follows:

Securities are valued at fair value, which is determined by the closing price on the recognized stock exchange on which the securities are listed or principally traded.

Bonds are valued at the mean of bid/ask prices provided by recognized investment dealers. Unlisted convertible debentures are valued at cost, if the underlying security is less than the conversion price; or if the underlying security is greater than the conversion price, at the market value of the underlying security multiplied by the number of shares to be received. Mutual fund units held are priced using the net assets value (NAV) per unit which is fair value, as of the valuation date for the particular fund for both reporting Net Assets attributable to holders of redeemable units and daily NAV.

Short-term notes and treasury bills are stated at amortized cost, which approximates fair market value, are included in the Schedule of Investments.

Cash is comprised of cash on deposit.

Investment Transactions and Income Recognition

Investment transactions are recorded on trade date. Interest income from investments in bonds and short-term investments are accrued daily. Realized gains and losses from investment transactions are calculated on a weighted average cost basis.

Income Recognition

Interest income for distribution purposes resulting from investments in bonds is recognized on an accrual basis based on the bond coupon rate.

Financial Instruments - Disclosures

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

4. Summary of significant accounting policies (continued)

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, interest receivable, payable for investments purchased, redemptions payable, distributions payable, accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units approximates their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

a) Common stock

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

b) Bonds and short-term investments

Bonds include primarily government and corporate bonds, which are valued at the mean of bid/ask prices provided by recognized investment dealers. Unlisted convertible debentures are valued at cost, if the underlying security is less than the conversion price; or if the underlying security is greater than the conversion price, at the market value of the underlying security multiplied by the number of shares to be received. Short-term notes and treasury bills are stated at amortized cost, plus accrued interest, which approximates fair market value. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds and short-term investments have been classified as Level 2.

Please see Note 11 for these disclosures.

Foreign currency

a) Functional and presentation currency

Items included in the condensed semi-annual financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The condensed semi-annual financial statements of the Fund are presented in CAD which is the Fund's functional currency.

b) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in fair value. Net foreign exchange gains/(losses) on non-monetary and monetary financial assets and liabilities other than those classified as at fair value through profit or loss are included in the line item Net foreign currency gains on the condensed statement of comprehensive income.

4. Summary of significant accounting policies (continued)

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:

a) Fair value measurement of derivatives and securities not quoted in an active market

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 4 for further information about the fair value measurement of the Fund's financial instruments.

b) 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 the financial assets under IAS39, Financial instruments – Recognition and Measurement (IAS39). The most significant judgment 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.

5. Redeemable Units

Each unitholder in the Fund acquires redeemable units, which represent an undivided interest in the net assets of the Fund. All redeemable units are of the same class with equal rights and privileges. Redeemable unit is entitled to one vote at any meeting of unitholders and to equal participation in any distributions made by the Fund. Fractional units are not entitled to voting privileges. Redeemable unit is redeemable at the option of the unitholder in accordance with the Trust Agreement and the number of redeemable units which may be issued is unlimited. The units of the Fund are fully paid when issued and are generally not transferable.

Following are the unit transactions during the period from January 1 to June 30, 2014 and January 1 to December 31, 2013:

	2014	2013
Units outstanding, beginning of period	**4,211,098**	9,531,017
Units issued for cash	**1,994,315**	1,000,104
Units redeemed	**(1,257,300)**	(6,509,092)
Units issued on reinvestment of distributions	**29,243**	189,069
Units outstanding, end of period	**4,977,356**	4,211,098

6. Related party transactions

The Fund's investment activities are managed by Ridgewood Capital Asset Management Inc. (the "Manager").

Management fees

Under the terms of the Master Investment Agreement dated September 1, 2008, the Fund appointed the Manager to provide management services. The Manager receives a fee based on the NAV of the Fund's units, accrued daily and payable monthly out of the assets of the Fund. The maximum management fee is equal to 0.50% (excluding HST) of the net asset value of the Fund. Services received under the 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. Total Management fees for the period ended June 30, 2014 amounted to $157,735 (December 31, 2013 - $325,806).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2014 was $8,933 (December 31, 2013 - $8,933).

7. Management fees and expenses

Ridgewood 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 HST) of the weighted average net asset value of the Fund less ordinary expenses of the Fund (the "Maximum Ordinary Expenses"). The Maximum Ordinary Expenses acts as a cap on the management fee and ordinary expenses of the Fund.

Ordinary expenses are paid out of the assets of the Fund and include all normal day-to-day operating expenses of the Fund, including custodian, legal, accounting, audit and regulatory filing fees. Ordinary expenses do not include commissions, brokerage fees and other fees and disbursements directly relating to trading transactions, any taxes payable by the Fund, any interest expense and any expenses incurred in respect of matters not in the normal course of the Fund's day-to-day activities, all of which are the responsibility of the Fund. If the total ordinary expenses are greater than the Maximum Ordinary Expenses, Ridgewood will reimburse the Fund the amount of such excess.

8. Distributions

Net income and net realized capital gains of the Fund may be declared payable to unitholders of the Fund from time to time at the discretion of Ridgewood, provided that in each year sufficient net income and net realized capital gains will be made payable to unitholders so that the Fund will not be liable for income tax thereon, except to the extent that any tax payable on net realized capital gains retained by the Fund would be immediately refundable to it.

Net income and net realized capital gains payable to unitholders of the Fund will be automatically reinvested in additional units of the Fund as of the valuation date of payment unless the unitholder otherwise requests in writing.

9. Income taxes

The Fund qualifies as a "mutual fund trust" under the Income Tax Act (Canada). The Fund uses the "capital gains refund mechanism" which allows a mutual fund trust to retain some capital gains without paying any tax thereon. As a result, the Fund may not distribute all its net capital gains. The net income and net capital gains of the Fund that would otherwise be taxable in the Fund are either paid or payable to unitholders in each calendar year. Accordingly, no income tax is paid or payable by the Fund. Such income is taxable in the hands of the unitholders.

As at December 31, 2013, capital losses of $3,831,180 (2012 - $4,248,302) are available for utilization against realized gains on sales of investments in future years. The capital losses can be carried forward indefinitely. The Fund has no non-capital losses.

10. Financial instruments and risk management

The Fund's financial instruments consist of bonds, short-term investments, and cash. As a result, the Fund is primarily exposed to interest rate risk and credit risk.

These risks and related risk management practices employed by the Fund are discussed below.

Interest Rate Risk

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table summarizes the Fund's exposure to interest rate risks, categorized by the earlier of contractual re-pricing or maturity dates.

As at June 30, 2014

	Less than 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 3 years**	**3-5 years**	**More than 5 years**	**Non Interest bearing**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Interest Rate Exposure	**-**	**-**	**8,231,746**	**-**	**-**	**51,997,328**	**-**	**60,229,074**

As at December 31, 2013

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 3 years	3 - 5 years	More than 5 years	Non Interest bearing	Total
	$	$	$	$	$	$	$	$
Interest Rate Exposure	-	-	815,629	-	999,626	44,520,463	-	46,335,718

As at January 1, 2013

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 3 years	3 - 5 years	More than 5 years	Non Interest bearing	Total
	$	$	$	$	$	$	$	$
Interest Rate Exposure		-	21,535,263	1,013,892	10,371,277	74,235,853	-	107,156,285

At June 30, 2014, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets attributable to holders of redeemable units for the period would amount to approximately $3.5 million (December 31, 2013 - $3.1 million, January 1, 2013 -$), arising substantially from the increase in market values of debt securities, with a small portion affecting interest rate futures. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets attributable to holders of redeemable units would amount to approximately $3.5 million (December 31, 2013 - $3.1 million, January 1, 2013 - $7.6 million).

10. Financial instruments and risk management (continued)

Credit Risk

Financial instruments that potentially subject the Fund to a concentration of a credit risk consist primarily of cash and investments. The Fund limits its exposure to credit loss by placing its cash and short-term investments with high quality government and financial institutions. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund's main credit risk concentration is spread between AAA/aaa and BBB/Baa rated securities.

The Fund invests in financial assets, which have an investment grade as rated by a well-known rating agency Dominion Bond Rating Service Limited and Canadian Bond Rating Service Limited.

Portfolio by rating category

Rating	**June 30, 2014 As a % of net assets attributable to holders of redeemable units**
AAA/Aaa	**44.23%**
AA/Aa	**9.34%**
A/A	**9.76%**
BBB/Baa	**41.98%**
Unrated	**0.00%**
Total	**105.31%**

Portfolio by rating category

Rating	December 31, 2013 As a % of net assets attributable to holders of redeemable units
AAA/Aaa	25.93%
AA/Aa	14.70%
A/A	27.02%
BBB/Baa	32.44%
Unrated	0.00%
Total	100.09%

Portfolio by rating category

Rating	January 1, 2013 As a % of net assets attributable to holders of redeemable units
AAA/Aaa	47.72%
AA/Aa	6.47%
A/A	12.12%
BBB/Baa	30.34%
Unrated	0.00%
Total	96.65%

10. Financial instruments and risk management (continued)

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's transactions and holdings are all in Canadian dollars, so there is no currency risk.

Liquidity Risk

Liquidity risk is the risk that a Fund will encounter difficulty in meeting obligations associated with its daily cash redemption of units. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and which can be readily disposed of and by retaining sufficient cash positions.

The Fund's short-term investments of approximately $8.2 million (December 31,2013 - $.8 million, January 1, 2013 - $21.5 million) are invested in Canadian Government treasury bills with less than 120 days to maturity, so redemption requests can be readily facilitated. The Fund's accrued liabilities are generally due and paid within three months.

June 30, 2014						
Financial Liabilities		On Demand		< 3 Months		Total
Redemptions payable	$	-	$	66,236	$	66,236
Distributions payable		-		74,660		74,660
Accrued liabilities		-		72,789		72,789
Redeemable units		57,195,592		-		57,195,592
Due to Brokers		-		3,194,619		3,194,619
Total iabilities	**$**	**57,195,592**	**$**	**3,408,304**	**$**	**60,603,896**

December 31, 2013						
Financial Liabilities		On Demand		< 3 Months		Total
Redemptions payable	$	-	$	216,260	$	216,260
Distributions payable		-		-		-
Accrued liabilities		-		83,163		83,163
Redeemable units		46,295,450		-		46,295,450
Due to Brokers		-		-		-
Total liabilities	$	46,295,450	$	299,423	$	46,594,873

10. Financial instruments and risk management (continued)

Liquidity Risk (continued)

January 1, 2013			
Financial Liabilities	On Demand	< 3 Months	Total
Redemptions payable	$ -	$ 298,386	$ 298,386
Distributions payable	-	238,275	238,275
Accrued liabilities	-	162,096	162,096
Redeemable units	104,257,565	-	104,257,565
Due to Brokers	-	-	-
Total liabilities	$ 104,257,565	$ 698,757	$ 104,956,322

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. The following is a summary of the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units:

Market segments	**June 30, 2014**	**December 31, 2013**	**January 1, 2013**
Canadian Short Term Investments	14.39%	1.76%	20.08%
Federal Bonds	24.47%	19.91%	19.65%
Provincial Bonds	13.91%	22.02%	9.29%
Municipal Bonds	2.77%	6.39%	2.97%
Corporate Bonds	26.84%	11.58%	21.80%
Mortgage Backed Securities	22.92%	38.43%	26.12%
Total	105.30%	100.09%	99.91%

11. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's assets recorded at fair value have been categorized based upon the fair value hierarchy described in Note 3. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2014, December 31, 2013 and January 1, 2013.

Financial assets at fair value as of June 30, 2014

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	**126,079**	**-**	**-**	**126,079**
Bonds	**-**	**38,887,963**	**-**	**38,887,963**
Mortgage Backed Securities (MBS)	**-**	**13,109,365**	**-**	**13,109,365**
Short Term Investments	**-**	**8,231,746**	**-**	**8,231,746**
	126,079	**60,229,074**	**-**	**60,355,153**

11. Financial Instruments – Disclosures (continued)

Fair Value Disclosure (continued)

	Financial assets at fair value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	69,674	-	-	69,674
Bonds	-	27,728,587	-	27,728,587
Mortgage Backed Securities (MBS)	-	17,791,502	-	17,791,502
Short Term Investments	-	815,629	-	815,629
	69,674	46,335,718	-	46,405,392

	Financial assets at fair value as of January 1, 2013			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	349,999	-	-	349,999
Bonds	-	57,608,402	-	57,608,402
Mortgage Backed Securities (MBS)	-	28,012,620	-	28,012,620
Short term Investments	-	21,535,263	-	21,535,263
	349,999	107,156,285	-	107,506,284

12. Financial instruments by category

The Funds financial instruments with the exception of derivatives instruments, as at June 30, 2014, December 31, 2013 and January 1, 2013 are designated as FVTPL.

The Fund's net gains (losses) on financial instruments for the periods ended June 30, 2014 and 2013 were all from financial instruments designated as FVTPL.

13. Transition to IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Note 10) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Reconciliation of net assets attributable to holders of redeemable units and comprehensive income as previously reported under Canadian GAAP to IFRS

13. Transition to IFRS (continued)

Net assets attributable to holders of redeemable units		**December 31, 2013**		**June 30, 2013**		**January 1, 2013**
Equity as reported under Canadian GAAP	$	46,269,961	$	77,119,603	$	107,169,542
Revaluation of investments at fair value through profit or loss		25,489		69,862		88,023
Net assets attributable to holders of redeemable units	$	46,295,450	$	77,189,465	$	107,257,565

Comprehensive Income		**Period ended June 30, 2013**
Comprehensive income as reported under Canadian GAAP	$	(1,199,943)
Revaluation of investments at fair value through profit or loss		(18,161)
Increase (decrease) in Net assets attributable to holders of redeemable units	$	(1,218,104)

Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

Revaluation of investments at Fair Value through Profit or Loss

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $25,489 in December 31, 2013, $69,862 as at June 30, 2013 and $88,023 at January 1, 2013. The impact of this adjustment was to increase the Fund's increase (decrease) in net assets attributable to holders of redeemable units by ($62,534) for the year ended December 31, 2013 and ($18,161) for the period ended June 30, 2013.

Reclassification adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS. Under Canadian GAAP, the Fund presented interest income on debt instruments in the statement of comprehensive income calculated using the stated rate without amortization of discounts, premiums or transaction costs. Under IFRS, the Fund calculates interest income for distribution purposes on accrual basis based on the bond coupon rate.

13. Future accounting policies

Accounting standards issued but not yet adopted

Below are accounting standards issued or amended but not yet effective and not yet adopted. The Manager does not expect the adoption of these standards or amendments to have significant impact to the Fund's financial statements.

IFRS 9, Financial Instruments, issued In November 2009, October 2010 and November 2013, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at FVTPL and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow, characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss), unless this creates an accounting mismatch. IFRS 9 has also been updated to amend the requirements around hedge accounting. The Fund is assessing the impact of these changes.

IFRS 8, 0perating Segments, issued in November 2006 and effective for annual periods beginning on or after January 1, 2009, requires particular classes of entities disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers. Information is based on internal management reports, both in the identification of operating segments and measurement of disclosed segment information. This standard was amended in December 2013 by the Annual improvements to IFRS 2010-2012 Cycle with regards to the aggregation of operating segments (requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments) and the reconciliation of the total of the reportable segments' assets to the entity's assets (only to be provided if the segments are reported regularly), The amendment is effective for periods beginning on or July 1, 2014. The Fund has assessed that there will not be a significant impact to the financial statements with respect to the adoption of these amendments.

IAS 24 Related Party Disclosures, reissued in November 2009 and effective for annual periods beginning on or after January 1, 2011, requires disclosures about Transactions and outstanding balances with an entity's related parties. The standard defines various classes of entities and people as related parties and sets out the disclosures required in respect of those parties, including the compensation of key management personnel. This standard was amended in December 2013 by the Annual Improvements to IFRS 2010 -2012 Cycle to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for periods beginning on or July 1, 2014. The Fund has assessed that there will not be a significant impact to the financial statements with respect to the adoption of these amendments.

Amendments to IAS 32 and IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IAS 32 clarify existing application issues relating to offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right to set-off” and “simultaneous realization and settlement”. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

Ridgewood Capital Asset Management Inc.
55 University Avenue, Suite 1020
Toronto, Ontario M5J 2H7

Tel: 416-842-0227 1-888-789-8957
Fax: 416-479-2750

e-mail: contact@ridgewoodcapital.ca
www.ridgewoodcapital.ca