Ridgewood Canadian Bond Fund
Annual Report 2011

Ridgewood Canadian Bond Fund

December 31, 2011 and 2010

Table of contents

MESSAGE TO UNITHOLDERS

Capital markets in 2011 continued their recovery process as most major asset classes produced positive returns. As the North American economy improved and exited the contraction phase in the first quarter, corporate bonds continued to rally. Central banks did not raise interest rates with quantitative easing (i.e. the purchase of government bonds and mortgages) being done by the Federal Reserve in the United States. In fact, the European Central Bank cut rates twice to attempt to stimulate the struggling Euro region. The Canadian debt markets were the beneficiaries of this action as investors viewed our markets as fiscally sound with less relative future supply of bonds. In addition, given the strong Canadian currency, inflation expectations remained low.

In the second quarter credit markets worldwide continued to rally as investors began to get comfortable with adding risk oriented assets back into their portfolios. Supply of corporate debt globally, although heavy at times was easily absorbed by the market. Balance sheet improvement was the goal for corporate issuers and at this point of the credit cycle they were well on their way to achieving this objective. The Canadian economy also was in good shape as the Bank of Canada continues to point to a robust housing market as their primary reason for maintaining rates.

The overnight rate was maintained at 1% as the Bank was also concerned about a rising Canadian dollar. The bond market rallied strongly in the third quarter, as foreign investors were buying Canadian debt given its high credit quality in an uncertain environment. The Central Banks outside of Canada also continued their purchases of mortgages and Government bonds, which helped support global debt markets.

The U.S. economy continued to grow in the fourth quarter even as China began to slow slightly. The global credit markets continued to deteriorate because of the European debt crisis. Despite this, investors continued purchasing corporate debt, which offered a higher yield, as well as more secure Government debt.

We remain positive on fixed income investments especially corporate debt in the current Canadian economic fiscal environment.

March, 2012

Management report on fund performance

This management report on fund performance has been prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) and contains the financial highlights of Ridgewood Canadian Bond Fund (the “Fund”) for the year ended December 31, 2011. The annual financial statements of the Fund are also attached behind this report.

Copies of the Fund’s quarterly portfolio disclosure may be obtained by calling-1-888-789-8957 toll free or by writing to the Fund at Investor Relations, 55 University Avenue, Suite 1020, Toronto, Ontario, M5J 2H7 or by visiting our website at www.ridgewoodcapital.ca.

Investment objectives and strategies

The Fund seeks to achieve a high level of income consistent with the preservation of capital and liquidity, from a portfolio of fixed income securities. The Fund invests primarily in liquid Canadian federal and provincial government securities and those of Canadian corporations rated “BBB” or better by the Dominion Bond Rating Service Limited or other recognized rating agencies. The Fund may also invest in comparable fixed income securities of foreign issuers.

The portfolio manager uses the following investment strategies to try to achieve the Fund’s objective:

- Managing the portfolio to take advantage of changing levels of interest rates and to capitalize on yield disparities between various issuers of debt securities; and
- Choosing many different investment terms based on the interest rate outlook.

The Fund may invest in foreign securities from time to time. The amount of such foreign investments will vary but is not typically expected to exceed 20 percent of the net assets of the Fund at the time that such foreign securities are purchased.

Risk

The Fund invests primarily in liquid Canadian federal and provincial government securities, and those of Canadian corporations rated investment grade or better by the Dominion Bond Rating Service Limited or other recognized rating agencies. The Fund may also invest in comparable fixed income securities of foreign issuers. Investors should be aware that the primary risk associated with the Fund is interest rate risk. The Bank of Canada may raise interest rates in 2013 to begin normalizing lending costs. This action could have an impact on fixed income securities particularly in the 1-5 year area of the bond market. In a rising interest rate environment, bond prices will move down and the income generated by bonds may not be greater that the decrease in the price.

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.

Asset mix

December 31, 2011

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	65.4	Cash & Short-Term Investments	17.2
Federal Bonds	17.3	Other Net Assets (Liabilities)	.4

Top 25 holdings

	% of Total Net Asset Value
1. Canadian Treasury Bill, 0.810%, May 10, 2012	17.1%
2. Canadian Government Bond, 4.000%, June 1, 2041	10.9%
3. Canadian Government Bond, 3.250%, June 1, 2021	6.6%
4. Metropolitan Life Global Funding I, 2.190%, June 17, 2014	5.2%
5. Citigroup Inc., 5.160%, May 24, 2027	5.1%
6. Merrill Lynch & Co., Inc., 5.290%, May 30, 2022	5.1%
7. Merrill Lynch Financial Assets Inc., 5.543%, August 12, 2017	5.0%
8. Merrill Lynch Financial Assets Inc., 5.458%, June 12, 2039	4.7%
9. Citigroup Inc., 4.650%, October 11, 2022	4.5%
10. Merrill Lynch Financial Assets Inc., 4.642%, October 12, 2016	4.4%
11. The Goldman Sachs Group Inc., 5.200%, April 19, 2022	4.3%
12. Manulife Financial Capital Trust II, FRN, 7.405%, December 31, 2108	3.9%
13. Citigroup Inc., 5.365%, March 6, 2036	3.8%
14. Merrill Lynch Financial Assets Inc., 5.143%, March 12, 2049	3.2%
15. Bell Aliant Regional Communications LP, 4.880%, April 26, 2018	3.2%
16. Merrill Lynch Financial Assets Inc., 4.878%, April 12, 2017	2.8%
17. Brookfield Power Corp., 5.840%, November 5, 2036	2.5%
18. CIBC Capital Trust, , 9.976%, June 30, 2108	1.6%
19. Algonquin Power Co., 5.500%, July 25, 2018	1.3%
20. Merrill Lynch Financial Assets Inc., 5.543%, August 12, 2017	1.3%
21. Lloyds TSB Bank PLC, 10.125%, December 16, 2021	1.3%
22. Loblaw Cos Ltd., 5.860%, June 18, 2043	0.7%
23. Glacier Credit Card Trust, 4.765%, May 20, 2014	0.7%
24. Cash	0.2%
25. N-45 First Class CMBS Issuer Corp., 5.667%, November 15, 2020	0.1%
Total	**99.6%**

Results of operations

For the year ended December 31, 2011, the net asset value of the Fund was $10.77 per unit compared to $11.29 per unit at December 31, 2010.

Net income and net capital gains of the Fund may be distributed to unitholders of the Fund from time to time at the discretion of Ridgewood. Sufficient distributions will be made each year so the Fund will not be liable for income tax. Distributions totaling $0.45 per unit were made to unitholders during the year.

For the year ended December 31, 2011, the Fund had an annual compound return of 0.03% gross of fees of 1.11% while the DEX Universe Bond Index had a return of 9.68%. 2011 will be considered to be one of the more challenging years in the bond markets as the European debt crisis adversely affected global corporate bonds. Ridgewood took advantage of historically high yields and over-weighted corporate bonds which will position the fund for attractive running yields going forward.

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 is derived from the Fund's audited annual financial statements. All other calculations for the purposes of this MRFP are made using Net Asset Value.

Information for the year ended December 31, 2011 is derived from the Fund's unaudited financial statements. For December 31, 2011, 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 purposes and calculated using closing prices. All other calculations for the purposes of the MRFP are made using Net Asset Value.

	Years ended December 31				
	2011	2010	2009	2008	2007
	$	$	$	$	$
The Fund's net assets per unit					
Net assets, beginning of year (1)	**11.26**	11.14	10.38	10.17	10.21
Increase (decrease) from operations					
Total revenue	**0.58**	0.66	0.58	0.48	0.52
Total expenses	**(0.13)**	(0.14)	(0.13)	(0.11)	(0.11)
Realized gain (loss) for the year	**(0.65)**	0.28	0.72	0.03	(0.26)
Unrealized gain (loss) for the year	**(0.09)**	0.07	0.18	0.09	(0.06)
Total increase from operations(2)	**(0.29)**	0.87	1.35	0.49	0.09
Distributions to unitholders					
From taxable income	**(0.45)**	(0.51)	(0.44)	(0.33)	0.24
From capital gains	**-**	(0.31)	(0.22)	-	
Total distributions(3)	**(0.45)**	(0.82)	(0.66)	(0.33)	0.24
Net assets, end of year (1)	**10.75**	11.26	11.14	10.38	10.17

(1) 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 the liabilities on that date and including the valuation of securities at bid prices divided by the number of units then outstanding.

(2) 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.

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

Financial highlights (continued)

	2011	2010	2009	2008	2007
	$	$	$	$	$
Ratios/supplemental data					
Net Asset Value, end of year ($millions) (1)	**152.24**	136.68	87.88	55.96	34.64
Number of units outstanding(1)	**14,141,272**	12,101,350	7,867,379	5,384,157	3,407,671
Management expense ratio (including HST) (2)	**1.11%**	1.12%	1.07%	1.04%	1.06%
Management expense ratio including expenses absorbed by the Manager	**1.11%**	1.12%	1.24%	1.04%	1.06%
Portfolio turnover rate (3)	**470.%**	171.54%	272.92%	212.66%	273.89%
Net Asset Value per unit, end of year (4)	**10.77**	11.29	11.17	10.39	10.17

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio is the ratio of all fees and expenses, including harmonized sales taxes but excluding transaction fees charged to the Fund to the average net assets.

(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 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.

(4) 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 closing 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 HST) 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

In 2011 the Bank of Canada maintained the overnight interest rate at 1%. Their goal is to provide modest growth with stable inflation. To date they have succeeded and given the strength of the Canadian dollar, they have room to delay interest hikes, possibly into mid 2013. Bonds have reacted positively given this backdrop as the Bank of Canada is widely viewed as being ahead of any inflation concerns.   Mid term corporate bonds are the focus of the portfolio currently and the backdrop described above will be positive for the portfolio holdings.

Ridgewood Canadian Bond Fund

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.

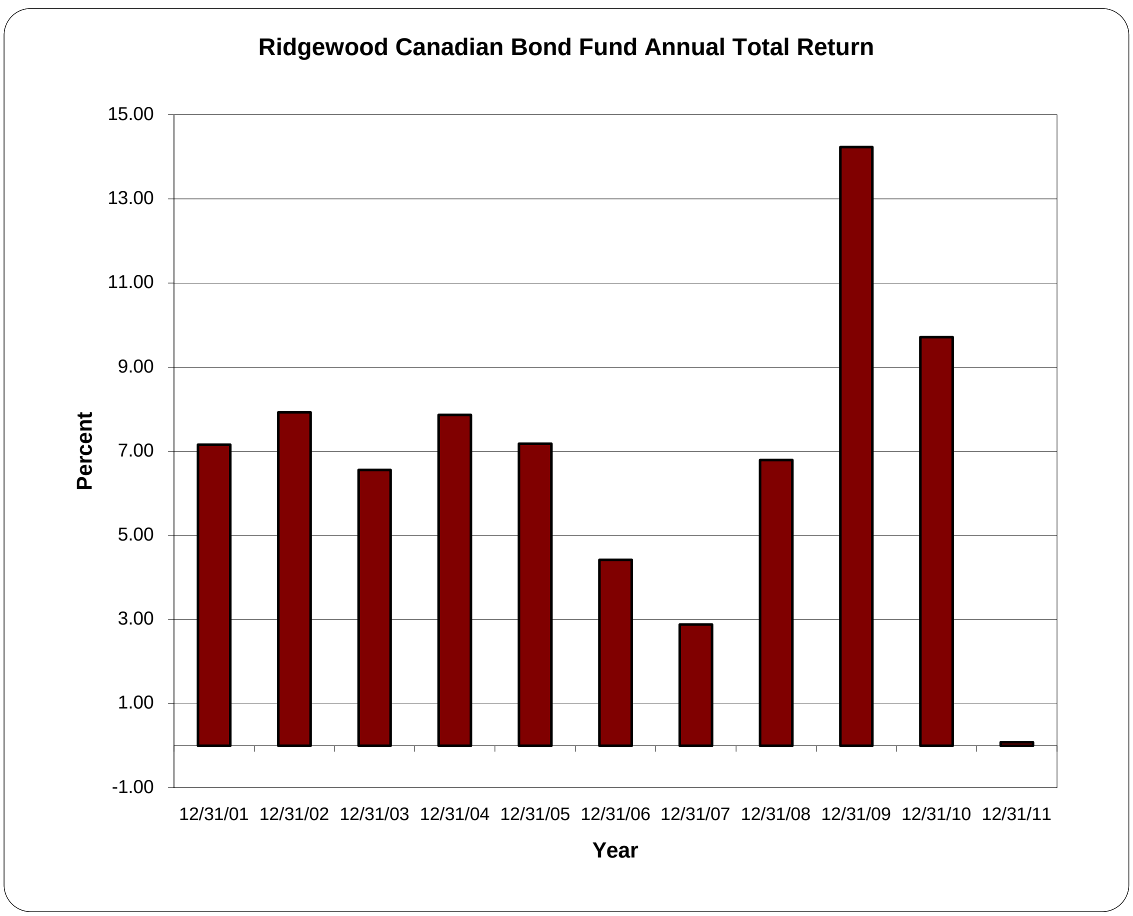
With respect to the charts displayed below, please note the following:

- 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.

Year-by-year returns

The bar chart illustrates how the Fund's annual total return in each of the past ten years has varied from year to year. 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.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (gross of fees of 1.00%) for the periods ended December 31 as compared to the performance of the DEX Universe Bond Index.

	One Year	Three Years	Five Years	Ten Years
Ridgewood Canadian Bond Fund	**0.03%**	7.83%	6.61%	6.70%
DEX Universe Bond Index *	**9.68%**	7.36%	6.42%	6.51%

* DEX Universe Bond Index (formerly, Scotia Capital Universe Bond Index) represents a broad selection of hundreds of Canadian corporate and government bonds including short-term, medium-term, and long-term issues.

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.

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.

For the period January 1 to December 31, 2011, members of the IRC were 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.

Future accounting policy changes

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS"). The changeover plan was prepared to address the requirements and includes disclosures of the qualitative impact of the changeover to IFRS. The implementation of IFRS for investment funds has been delayed to January 1, 2014, with comparative financial statements for the year ending December 31, 2013.

The key elements of the changeover plan deal with the requirements for financial reporting, net asset value per share calculations, systems and processes, and training. The plan also sets out the timeline for implementation of the changes and the required technical training or other support required for a smooth transition.

As at December 31, 2011, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles where investment fund accounting was based upon guidance in Accounting Guideline 18 – Investment Companies ("AcG 18");
- Changes to the presentation of shareholder equity to consider puttable instruments;
- Presentation of comparative information; and,
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Future accounting policy changes (continued)

Due to anticipated changes in IFRS prior to the transition to IFRS, the Manager cannot conclusively determine the full impact of the transition to IFRS on the Fund's financial results at this time. Based on the Manager's current understanding and analysis of IFRS as compared to the current accounting policies under Canadian GAAP, the Manager does not anticipate that the transition to IFRS will have a material impact on the Fund's net assets per share, nor systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements. Implementation of the changeover plan is progressing as scheduled. The Manager will continue to monitor ongoing changes to IFRS and adjust the changeover plan accordingly.

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.

Ridgewood Canadian Bond Fund

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 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
Director
Ridgewood Capital Asset Management Inc.

Paul W. Meyer
Director
Ridgewood Capital Asset Management Inc.

March 22, 2012

Deloitte.

Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Unitholders of
Ridgewood Canadian Bond Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010 and the statements of financial operations, of changes in net assets and of gain/(loss) on sale of investments for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2011 and 2010, and the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 16, 2012

Ridgewood Canadian Bond Fund

Statements of net assets
as at December 31, 2011 and 2010

	2011	2010
	$	$
Assets		
Investments at fair value (cost 2011 - $124,130,770; 2010 - $127,641,335)	**125,264,923**	130,094,314
Short-term investments at fair value (cost 2011 - $25,994,748; 2010 - $4,401,905)	**26,003,140**	4,402,360
Cash	**2,549**	25,148
Accrued interest and dividend receivable	**1,023,120**	867,484
Due from manager	**-**	8,038
Subscriptions receivable	**-**	1,242,500
	152,293,732	136,639,844
Liabilities		
Accrued liabilities	**188,872**	241,731
Redemptions payable	**84,269**	70,000
	273,141	311,731
Net assets, represented by unitholders' equity	**152,020,591**	136,328,113
Number of units outstanding (Note 4)	**14,141,272**	12,101,350
Net assets per unit	**10.7501**	11.2655

On behalf of the Manager
Ridgewood Capital Asset Management Inc.

______________________ Director
John H. Simpson, CFA

______________________ Director
Paul W. Meyer, CFA

Statements of financial operations
for the years ended December 31, 2011 and 2010

	2011	2010
	$	$
Revenue		
Interest	**8,298,317**	6,995,996
Expenses (Note 5)		
Management fees	**1,435,981**	961,875
HST expense	**182,051**	113,521
Administrative and other expenses	**107,672**	202,584
Custodian fees	**66,747**	66,080
Audit fees	**24,893**	13,271
Legal fees	**23,622**	53,289
Independent Review Committee fees	**22,333**	37,115
	1,863,299	1,447,735
Less expenses absorbed by Manager	**-**	(8,038)
	1,863,299	1,439,697
Net investment income	**6,435,018**	5,556,299
(Loss) gain on sale of investments	**(9,207,827)**	2,903,192
Change in unrealized (depreciation) appreciation of investments	**(1,310,890)**	781,634
Net (loss) gain on investments	**(10,518,717)**	3,684,826
(Decrease) increase in net assets from operations	**(4,083,699)**	9,241,125
(Decrease) increase in net assets from operations per unit (based on weighted average number of units outstanding during the year - 14,283,097; 2010 - 10,655,808)	**(0.2859)**	0.8672

Ridgewood Canadian Bond Fund

Statements of changes in net assets
for the years ended December 31, 2011 and 2010

	2011	2010
	$	$
Net assets, beginning of year	**136,328,113**	87,640,955
Unit transactions (Note 4)		
Proceeds from units issued	**95,414,844**	100,039,028
Amount paid for units redeemed	**(75,227,481)**	(60,554,091)
Reinvestment of distributions	**6,033,480**	9,027,192
	26,220,843	48,512,129
(Decrease) increase in net assets from operations	**(4,083,699)**	9,241,125
Distributions to unitholders (Note 6)		
From net investment income	**(6,444,666)**	(5,608,472)
From captial gains	**-**	(3,457,624)
	(6,444,666)	(9,066,096)
Changes in net assets during the year	**15,692,478**	48,687,158
Net assets, end of year	**152,020,591**	136,328,113

Statements of gain (loss) on sale of investments

for the years ended December 31, 2011 and 2010

	2011	2010
	$	$
Proceeds from sale of investments	**695,607,567**	204,628,283
Cost of investments sold		
Cost of investments, beginning of year	**127,641,335**	78,665,180
Cost of investments purchased	**701,304,829**	250,701,246
	828,946,164	329,366,426
Cost of investments, end of year	**(124,130,770)**	(127,641,335)
	704,815,394	201,725,091
(Loss) gain on sale of investments	**(9,207,827)**	2,903,192

Ridgewood Canadian Bond Fund

Statement of investments
as at December 31, 2011

Par value		Average cost	Fair value	% of portfolio
		$	$	
Short-term Investments				
Treasury Bills				
26084000	Canadian Treasury Bill, 0.810%, May 10, 2012	**25,994,748**	**26,003,140**	**17.19%**
Investments				
Federal Bonds				
9000000	Canadian Government Bond, 3.250%, June 1, 2021	10,063,300	10,004,430	
12600000	Canadian Government Bond, 4.000%, June 1, 2041	16,020,045	16,539,548	
Total Federal Bonds		**26,083,345**	**26,543,978**	**17.55%**
Corporate Bonds				
2000000	Algonquin Power Co., 5.500%, July 25, 2018	2,006,396	2,045,910	
4600000	Bell Aliant Regional Communications LP, 4.880%, April 26, 2018	4,732,911	4,853,327	
4000000	Brookfield Power Corp., 5.840%, November 5, 2036	3,876,920	3,838,080	
2000000	CIBC Capital Trust, , 9.976%, June 30, 2108	2,583,800	2,489,372	
7700000	Citigroup Inc., 4.650%, October 11, 2022	6,797,342	6,824,711	
9740000	Citigroup Inc., 5.160%, May 24, 2027	8,374,121	7,834,719	
8000000	Citigroup Inc., 5.365%, March 6, 2036	6,528,264	5,756,811	
985000	Glacier Credit Card Trust, 4.765%, May 20, 2014	918,013	1,018,076	
2000000	Lloyds TSB Bank PLC, 10.125%, December 16, 2021	1,902,500	1,915,000	
1000000	Loblaw Cos Ltd., 5.860%, June 18, 2043	876,610	1,032,408	
5500000	Manulife Financial Capital Trust II, FRN, 7.405%, December 31, 2108	6,176,466	5,979,406	
9000000	Merrill Lynch & Co., Inc., 5.290%, May 30, 2022	8,598,088	7,819,040	
8000000	Metropolitan Life Global Funding I, 2.190%, June 17, 2014	8,000,000	7,972,241	
7500000	The Goldman Sachs Group Inc., 5.200%, April 19, 2022	7,338,878	6,521,858	
Total Corporate Bonds		**68,710,309**	**65,900,959**	**43.57%**
Mortgage Backed Securities				
6506000	Merrill Lynch Financial Assets Inc., 4.642%, October 12, 2016	5,479,413	6,740,216	
5247000	Merrill Lynch Financial Assets Inc., 4.878%, April 12, 2017	3,800,792	4,284,658	
1900000	Merrill Lynch Financial Assets Inc., 5.543%, August 12, 2017	1,864,350	1,966,830	
7071000	Merrill Lynch Financial Assets Inc., 5.543%, August 12, 2017	6,438,556	7,613,043	
7338000	Merrill Lynch Financial Assets Inc., 5.458%, June 12, 2039	6,729,404	7,095,331	
6188000	Merrill Lynch Financial Assets Inc., 5.143%, March 12, 2049	4,828,740	4,913,271	
195000	N-45 First Class CMBS Issuer Corp., 5.667%, November 15, 2020	195,861	206,637	
Total Mortgage Backed Securities		**29,337,116**	**32,819,986**	**21.70%**
Total Bonds and Mortgage Backed Securities		**124,130,770**	**125,264,923**	**82.81%**
Total Investments		**150,125,518**	**151,268,063**	**100.00%**

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. The Fund began operation on February 19, 1999.

Ridgewood is also the investment manager and distributor of units of the Fund. RBC Dexia Investor Services Trust is the custodian and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund.

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 agency. 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. Summary of significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which include estimates and assumptions by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The following is a summary of the significant accounting policies.

Capital disclosures

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

Valuation of investments

The Fund follows Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments - Recognition & Measurement". The standard requires that the fair value of securities which are traded in active markets be measured based on bid price.

The difference between the Net Asset Value and the Net Assets calculated using bid prices as described above is disclosed in Note 8.

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 bid price on the recognized stock exchange on which the securities are listed or principally traded. If no bid prices are available, the securities are valued at the closing price.

Short-term investments are included in the Statement of Investments at their cost. This value, together with accrued interest, approximates fair value at bid price.

Income recognition

Interest income is recognized on an accrual basis.

3. Summary of significant accounting policies (continued)

Financial Instruments - Disclosures

CICA 3862, Financial Instruments – Disclosures requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements. Accrued receivables and accrued liabilities are recorded at cost, which given their short term nature approximates fair value.

Section 3862 of the CICA Handbook, Financial Instruments – Disclosures, establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. 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:

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.

Please see Note 11 for these disclosures.

4. Unitholders' equity

Each unitholder in the Fund acquires units, which represent an undivided interest in the net assets of the Fund. All units are of the same class with equal rights and privileges. Each 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. Each unit is redeemable at the option of the unitholder in accordance with the Trust Agreement and the number of 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 year:

	2011	2010
Units outstanding, beginning of year	**12,101,350**	7,867,379
Units issued for cash	**8,304,419**	8,497,900
Units redeemed	**(6,801,337)**	(5,067,145)
Units issued on reinvestment of distributions	**536,840**	803,216
Units outstanding, end of year	**14,141,272**	12,101,350

5. 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.

5. Management fees and expenses (continued)

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.

6. 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.

7 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, 2011, capital losses of $10,015,549 (2010 - $0) are available for utilization against realized gains on sales of investments in future years. The capital losses can be carried forward indefinitely.

8. Net Asset Value and Net Assets

The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value be calculated in accordance with Canadian GAAP effective September 8, 2008. As a result of the amendments, the Net Asset Value of the Fund will continue to be calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). The adoption of these new rules will result in a different Net Assets per unit for financial reporting purposes and Net Asset Value per unit due to the use of different valuation techniques. The Net Asset Value per unit at December 31 is as follows:

	2011	2010
Net Asset Value	**10.77**	11.29
Net Assets	**10.75**	11.26

9. Financial instruments and risk management

The Fund's financial instruments consist of bonds, mortgage backed securities, 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.

9. Financial instruments and risk management (continued)

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 December 31, 2011

	Less than 1 month	**1 - 3 months**	**3 months - 1 year**
	$	**$**	**$**
Interest rate exposure	**-**	**-**	**26,003,140**

	1 - 3 years	**3 - 5 years**	**More than 5 years**
	$	**$**	**$**
Interest rate exposure	**8,990,316**	**6,740,216**	**109,534,391**

	Non interest bearing	**Total**
	$	**$**
Interest rate exposure	**-**	**151,268,063**

As at December 31, 2010

	Less than 1 month	1 - 3 months	3 months - 1 year
	$	$	$
Interest rate exposure	-	4,402,360	2,684,389

	1 - 3 years	3 - 5 years	More than 5 years
	$	$	$
Interest rate exposure	-	2,790,100	124,619,825

	Non interest bearing	Total
	$	$
Interest rate exposure	-	134,496,674

9. Financial instruments and risk management (continued)

Interest rate risk (continued)

At December 31, 2011, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the period would amount to approximately $9.9 million (December 31, 2010 - $8.7 million), 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 would amount to approximately $9.9 million (December 31, 2010 - $8.7 million).

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 Manager performs 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 A and BBB 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	**December 31, 2011** **As a % of net assets**
AAA/Aaa	**29.86%**
AA/Aa	**23.64%**
A/A	**4.60%**
BBB/Baa	**41.40%**
Unrated	**0.00%**
Total	**99.50%**

Portfolio by rating category

Rating	December 31, 2010 As a % of net assets
AAA/Aaa	20.69%
AA/Aa	1.54%
A/A	46.49%
BBB/Baa	29.93%
Unrated	0.00%
Total	98.65%

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 dollar, so there is no currency risk.

9. Financial instruments and risk management (continued)

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 $26 million (2010 - $4.4 million) are invested in Canadian Government treasury bills with approximately 120 days to maturity, so redemption requests can be readily facilitated. The Fund's accrued liabilities are generally due and paid within three months.

10. Future accounting policy changes

In March 2011, the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants ("CICA") amended their mandatory requirement for all publicly accountable entities (which includes investment funds) to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), permitting investment funds, to defer the adoption of IFRS to fiscal years beginning on or after January 1, 2013. In December 2011, the AcSB extended the deferral of IFRS adoption to fiscal years beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014.

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 December 31, 2011 and 2010.

				Financial assets at fair value as of December 31, 2011
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	**2,549**	**-**	**-**	**2,549**
Bonds	**-**	**92,444,937**	**-**	**92,444,937**
Mortgage Backed Securities (MBS)	**-**	**32,819,986**	**-**	**32,819,986**
Short term investments	**-**	**26,003,140**	**-**	**26,003,140**
	2,549	**151,268,063**	**-**	**151,270,612**

				Financial assets at fair value as of December 31, 2010
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	25,148	-	-	25,148
Bonds	-	106,197,790	-	106,197,790
Mortgage Backed Securities (MBS)	-	11,821,422	12,075,102	23,896,524
Short term investments	-	4,402,360	-	4,402,360
	25,148	122,421,572	12,075,102	134,521,822

There were no transfers between Level 1 and 2 during the year, the transfers out of Level 3 were due to reclassification from Level 3 to Level 2.

11. Financial Instruments – Disclosures (continued)

Fair value disclosure (continued)

The following is a reconciliation of Level 3 fair value assets from January 1, 2011 to December 31, 2011 and January 1, 2010 to December 31, 2010. The potential impact of using other reasonable assumptions for valuing the level 3 assets would increase their fair value by approximately $1 million or decrease their fair value by $1 million if there had been a shift of plus or minus 0.50bp.

Fair value measurements using Level 3 inputs

	Mortgage Backed Securities
Balance at January 1, 2011	**12,075,102**
I Net purchases and sales	**(6,810,064)**
Net transfers in (out)	**(6,740,216)**
Gains (Losses)	**-**
Realized	**1,384,532**
Unrealized	**90,646**
Balance at December 31, 2011	**-**

Fair value measurements using Level 3 inputs

	Mortgage Backed Securities
Balance at January 1, 2010	4,885,800
I Net purchases and sales	6,020,342
Net transfers in (out)	-
Gains (Losses)	-
Realized	-
Unrealized	1,168,960
Balance at December 31, 2010	12,075,102

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Bond Fund

Head Office:
Ridgewood Capital Asset Management Inc.
55 University Avenue, Suite 1020
Toronto ON
M5J 2H7

Visit our website at www.ridgewoodcapital.ca for additional information on Ridgewood Funds.

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

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

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