Ridgewood Canadian Bond Fund

Annual Report 2012

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MESSAGE TO UNITHOLDERS

Strong market performance in 2012 continued as the European Central Bank (ECB) put to rest any doubts about protecting the Euro. This occurred when ECB president, Mario Draghi, stated that "Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough." The investors took that as a green light to put risk back into their portfolios and markets rallied. The first quarter of the year was perhaps a precursor of things to come as risk assets, including equities and corporate bonds put in a strong performance. This was no surprise given that it was the start of the U.S. election year , a period in which historically markets have rallied.

The second quarter was significantly more volatile as Spanish bonds came under pressure. Yields rose over 200 basis points and markets became concerned that Spain would follow the path of Greece. Risk assets sold off in sympathy causing a flight to quality trade into Government bonds. Canada benefited in this period given its "safe haven" status and the fact that it is one of a handful of countries that has a AAA rating on its debt. Corporate bonds continued to perform well as yields were high enough to entice investors to buy and hold Canadian dollar private sector debt.

The Canadian central bank was rather uneventful when compared to global central bankers as it maintained its overnight rate at 1% at every meeting throughout the year. They consistently indicated concern for the housing market and growing debt levels for Canadian consumers which has been growing despite changes in the mortgage rules. Mark Carney, the Governor of the Bank of Canada, was hawkish throughout the year, stating that considerable monetary stimulus will have to be withdrawn at some point in the future. The markets looked through that and continued to rally as interest rates were stable in the third quarter.

The fourth quarter was a continuation of the stable markets experienced over the summer period. The election was in full swing and markets were settled by a strong message from the ECB. The time passed from the Greek debt crisis also helped the psychology of the market. Investors were more focused on longer term trends in the economy and earnings and not reacting to every political speech out of Europe. Inflation was stable for the entire year and bond investors were well compensated during 2012. In particular, corporate bonds were among the top performing sectors of the bond market, a trend we believe will continue going forward.

March 2013

Ridgewood Canadian Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2012

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.

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	48.6	Provincial Bonds	9.2
Federal Bonds	19.4	Municipal Bonds	2.9
Cash & Short-Term Investments	19.8	Net Assets (Liabilities)	.1

Top 25 holdings

		% of Total Net Asset Value
1.	Canadian Treasury Bill, May 9, 2013	19.8%
2.	Canadian Government Bond, 4.000%, June 1, 2041	14.7%
3.	Merrill Lynch Financial Assets Inc., C19 D June 12, 2016	5.6%
4.	Manitoba 3.350%, March 5, 2043	4.6%
5.	Canadian Government Bond, 1.500%, September 1, 2017	4.6%
6.	Merrill Lynch Financial Assets Inc., C21 A1 October 12, 2016	4.6%
7.	British Columbia 3.200%, June 18, 2044	4.5%
8.	Merrill Lynch Financial Assets Inc., C20 C October 12, 2016	4.4%
9.	Merrill Lynch & Co., Inc., 5.290%, May 30, 2017	4.3%
10.	The Goldman Sachs Group Inc., 5.200%, April 19, 2017	4.2%
11.	Merrill Lynch Financial Assets Inc., C22 May 12, 2017	3.9%
12.	Merrill Lynch Financial Assets Inc., C21 January 12, 2017	3.5%
13.	Merrill Lynch Financial Assets Inc., C23 D1 August 12, 2017	3.3%
14.	Omers Realty 3.666%, December 5, 2022	3.2%
15.	Citigroup Inc., 5.160%, May 24, 2022	2.8%
16.	Royal Bank 2.990%, December 6, 2019	2.8%
17.	Cameco 3.750%, November 14, 2022	2.3%
18.	Merrill Lynch Financial Assets Inc., C23 B August 12, 2017	1.7%
19.	New Brunswick Municipal Finance November 30, 2024	1.5%
20.	New Brunswick Municipal Finance November 30, 2023	1.5%
21.	Bank of Nova Scotia 3.036%, October 18, 2019	0.9%
22.	Glacier Credit Card Trust, 4.765%, May 20, 2014	0.9%
23.	Commercial Mortgage Backed Securities (CMBS)	0.2%
24.	Cash	0.1%
Total		**99.9%**

Results of operations

For the year ended December 31, 2012, the net asset value of the Fund was $11.25 per unit compared to $10.77 per unit at December 31, 2011.

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, 2012, the Fund had an annual compound return of 7.96% net of fees of 1.10% (including HST) while the DEX Universe Bond Index had a return of 3.60%. 2012 was a positive year for risk assets, corporate bonds in particular. Ridgewood took a tactical overweight position in corporate bonds to take advantage of the relative yield advantage. We believe the fund will continue to benefit from this exposure and yields will continue to drift down over the course of the year.

Ridgewood Canadian Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2012

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, 2012 is derived from the Fund's unaudited financial statements. For December 31, 2012, 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				
	2012	2011	2010	2009	2008
	$	$	$	$	$
The Fund's net assets per unit					
Net assets, beginning of year (1)	**10.75**	11.26	11.14	10.38	10.17
Increase (decrease) from operations					
Total revenue	**0.45**	0.58	0.66	0.58	0.48
Total expenses	**(0.12)**	(0.13)	(0.14)	(0.13)	(0.11)
Realized gain (loss) for the year	**0.46**	(0.65)	0.28	0.72	0.03
Unrealized gain (loss) for the year	**0.06**	(0.09)	0.07	0.18	0.09
Total increase (decrease) from operations (2)	**0.85**	(0.29)	0.87	1.35	0.49
Distributions to unitholders					
From taxable income	**(0.35)**	(0.45)	(0.51)	(0.44)	(0.33)
From capital gains	**-**	-	(0.31)	(0.22)	-
Total distributions (3)	**(0.35)**	(0.45)	(0.82)	(0.66)	(0.33)
Net assets, end of year (1)	**11.24**	10.75	11.26	11.14	10.38

(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.

	2012	2011	2010	2009	2008
Ratios/supplemental data					
Net Asset Value, end of year ($millions) (1)	**$ 107.26**	$ 152.24	$ 136.68	$ 87.88	$ 55.96
Number of units outstanding (1)	**9,531,017**	14,141,272	12,101,350	7,867,379	5,384,157
Management expense ratio (including HST) (2)	**1.10%**	1.11%	1.12%	1.07%	1.04%
Management expense ratio including expenses absorbed by the Manager	**1.10%**	1.11%	1.12%	1.24%	1.04%
Portfolio turnover rate (3)	**355.13%**	470.50%	171.54%	272.92%	212.66%
Net Asset Value per unit, end of year (4)	**$ 11.25**	$ 10.77	$ 11.29	$ 11.17	$ 10.39

Ridgewood Canadian Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2012

(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.

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

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher 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

Interest rates were stable in 2012 as the Bank of Canada maintained the overnight rate at 1%. Governor Carney is still concerned with the global slowdown and elevated unemployment rate. He is however also watching the housing market closely and overall consumer debt levels. Given recent statements from the Bank of Canada it appears that no interest rate increases are expected until mid-2014. Bonds remain an attractive asset class in this low inflation low growth environment. Corporate bonds performed well in 2012 and we expect them to continue outperforming Government bonds again in 2013

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

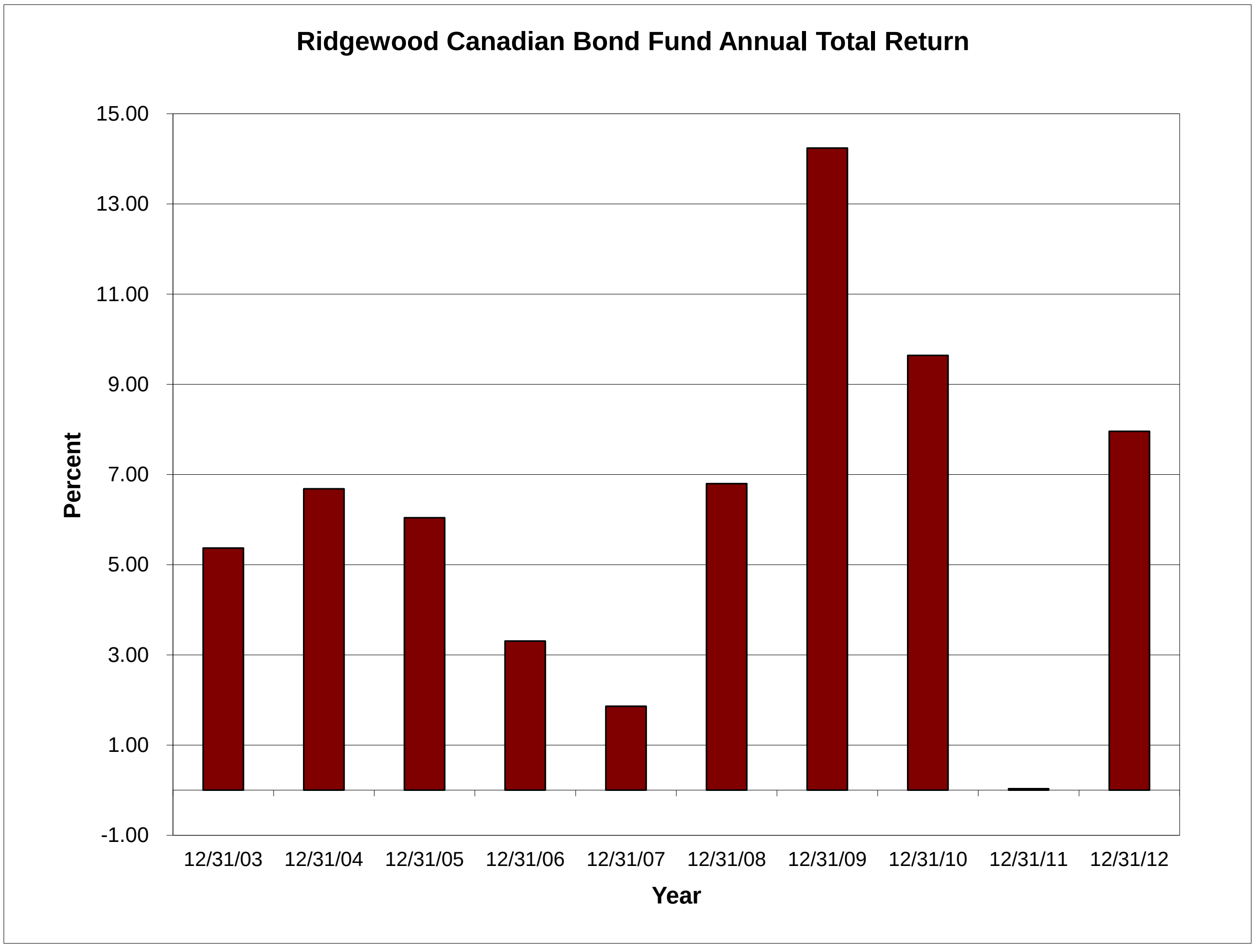
The bar chart illustrates how the Fund's annual total return in each of the past ten years has varied from year to year. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of that fiscal year.

Ridgewood Canadian Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2012

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (net of fees of 1.10%, including HST) 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	**7.96%**	6.23%	7.90%	6.26%
DEX Universe Bond Index *	**3.60%**	6.65%	6.35%	5.97%

* 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.

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.

Future-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.

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 27, 2013

Deloitte.

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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, 2012, the statements of net assets as at December 31, 2012 and 2011 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, 2012 and 2011, 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 LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 27, 2013

Ridgewood Canadian Bond Fund

Statements of net assets

As at December 31, 2012 and 2011

	2012	2011
Assets	**$**	$
Investments at fair value (cost 2012 - $83,635,488; cost 2011 - $124,130,770)	**85,533,733**	125,264,923
Short-term investments at fair value (cost 2012 - $21,535,263; cost 2011 - $25,994,748)	**21,538,344**	26,003,140
Cash	**349,999**	2,549
Accrued interest and dividend receivable	**377,989**	1,023,120
Prepaid fees	**4,734**	-
Subscriptions receivable	**63,500**	-
	107,868,299	152,293,732
Liabilities		
Accrued liabilities	**162,096**	188,872
Distributions Payable	**238,275**	
Redemptions payable	**298,386**	84,269
	698,757	273,141
Net assets, represented by unitholders' equity	**107,169,542**	152,020,591
Number of units outstanding (Note 4)	**9,531,017**	14,141,272
Net assets per unit	**11.2443**	10.7501

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, 2012 and 2011

	2012	2011
	$	$
Revenue		
Interest	**5,359,000**	8,298,317
Expenses (Note 5)		
Management fees	**1,112,853**	1,435,981
HST expense	**139,591**	182,051
Administrative and other expenses	**114,550**	107,672
Custodian fees	**70,882**	66,747
Audit fees	**24,541**	24,893
Legal fees	**13,881**	23,622
Independent Review Committee fees	**17,567**	22,333
	1,493,865	1,863,299
Net investment income	**3,865,135**	6,435,018
Gain (Loss) on sale of investments	**5,542,188**	(9,207,827)
Change in unrealized appreciation (depreciation) of investments	**758,783**	(1,310,890)
Net gain (loss) on investments	**6,300,971**	(10,518,717)
Increase (decrease) in net assets from operations	**10,166,106**	(4,083,699)
Increase (decrease) in net assets from operations per unit (based on weighted average number of units outstanding during the year -11,987,629; 2011 - 14,283,097)	**0.8480**	(0.2859)

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

Ridgewood Canadian Bond Fund

Statements of changes in net assets
For the years ended December 31, 2012 and 2011

	2012	2011
	$	$
Net assets, beginning of year	152,020,591	136,328,113
Unit Transactions (Note 4)		
Proceeds from units issued	32,178,323	95,414,844
Amount paid for units redeemed	(86,767,080)	(75,227,481)
Reinvestment of distributions	3,808,146	6,033,480
	(50,780,611)	26,220,843
Increase (decrease) in net assets from operations	10,166,106	(4,083,699)
Distributions to unitholders (Note 6)		
From net investment income	(3,917,627)	(6,444,666)
From return of capital	(318,917)	-
	(4,236,544)	(6,444,666)
Changes in net assets during the year	(44,851,049)	15,692,478
Net assets, end of year	107,169,542	152,020,591

Statements of gain (loss) on sale of investments
For the years ended December 31, 2012 and 2011

	2012	2011
	$	$
Proceeds from sale of investments	470,181,010	695,607,567
Cost of investments sold		
Cost of investments, beginning of year	124,130,770	127,641,335
Cost of investments purchased	424,143,540	701,304,829
	548,274,310	828,946,164
Cost of investments, end of year	(83,635,488)	(124,130,770)
	464,638,822	704,815,394
Gain (Loss) on sale of investments	5,542,188	(9,207,827)

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

Ridgewood Canadian Bond Fund

Statement of investments

As at December 31, 2012

Par Value		Average Cost	Fair Value	% of net assets
		$	$	
Short-term Investments				
Treasury Bills				
21611000	Canadian Treasury Bill, 0.941%, May 09, 2013	21,535,263	21,538,344	20.11%
Investments				
Federal Bonds				
5000000	Canadian Government Bond, 1.500%, September 01, 2017	5,051,450	5,026,444	
12000000	Canadian Government Bond, 4.000%, June 1, 2041	16,056,582	16,040,933	
Total Federal Bonds		21,108,032	21,067,377	19.66%
Provincial Bonds				
5000000	Province of British Columbia, 3.200%, June 18, 2044	4,950,950	4,923,304	
5000000	Province of Manitoba Canada, 3.350%, March 05, 2043	5,007,500	5,028,286	
Total Provincial Bonds		9,958,450	9,951,590	9.29%
Municipal Bonds				
1597000	New Brunswick Municipal Finance Corp., 3.200%, November 30, 2023	1,585,278	1,573,875	
1633000	New Brunswick Municipal Finance Corp., 3.300%, November 30, 2024	1,621,798	1,609,305	
Total Municipal Bonds		3,207,076	3,183,180	2.97%
Corporate Bonds				
1000000	Bank of Nova Scotia, 3.036%, October 18, 2019	997,490	1,010,671	
2500000	Cameco Corp., 3.750%, November 14, 2022	2,499,800	2,484,258	
3086000	Citigroup Inc., 5.160%, May 24, 2022	2,651,145	3,046,075	
985000	Glacier Credit Card Trust, 4.765%, May 20, 2014	918,013	1,012,907	
4630000	Merrill Lynch & Co., Inc., 5.290%, May 30, 2017	4,407,890	4,709,094	
3500000	OMERS Realty Corp., 3.666%, December 05, 2022	3,500,000	3,500,000	
3000000	Royal Bank of Canada, 2.990%, December 06, 2019	3,012,540	3,015,677	
4500000	The Goldman Sachs Group Inc., 5.200%, April 19, 2017	4,381,786	4,545,472	
Total Corporate Bonds		22,368,664	23,324,154	21.76%
Mortgage Backed Securities				
3228156	Merrill Lynch Financial Assets Inc., 4.642%, October 12, 2016	3,082,761	3,436,971	
1900000	Merrill Lynch Financial Assets Inc., 5.734%, August 12, 2017	1,864,350	1,901,900	
6338000	Merrill Lynch Financial Assets Inc., 5.436%, June 12, 2016	5,812,341	6,135,184	
4690000	Merrill Lynch Financial Assets Inc., 5.096%, October 12, 2016	4,764,102	4,764,102	
4000000	Merrill Lynch Financial Assets Inc., 5.215%, January 12, 2017	3,718,200	3,764,000	
3710000	Merrill Lynch Financial Assets Inc., 5.734%, August 12, 2017	3,507,249	3,563,455	
5188000	Merrill Lynch Financial Assets Inc., 5.219%, May 12, 2017	4,048,401	4,241,190	
195000	N-45 First Class CMBS Issuer Corp., 5.667%, November 15, 2013	195,862	200,630	
Total Mortgage Backed Securities		26,993,266	28,007,432	26.13%
Total Bonds and Mortgage Backed Securities		83,635,488	85,533,733	79.81%
Total Investments		105,170,751	107,072,077	99.92%
Cash and other assets, net of liabilities			97,465	0.08%
Net assets			107,169,542	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. The Fund began operations on February 19, 1999.

Ridgewood is also the investment manager and distributor of units of the Fund. RBC 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 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. 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 made 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' shareholders' 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 as accrued.

3. Summary of significant accounting policies (continued)

Financial Instruments - Disclosures

CICA Handbook section 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 payables 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:

	2012	2011
Units outstanding, beginning of year	**14,141,272**	12,101,350
Units issued for cash	**2,920,120**	8,304,419
Units redeemed	**(7,875,717)**	(6,801,337)
Units issued on reinvestment of distributions	**345,342**	536,840
Units outstanding, end of year	**9,531,017**	14,141,272

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, 2012, capital losses of $4,248,302 (2011-$10,015,549) 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.

8. Net Asset Value and Net Assets

As per NI81-106, the Net Asset Value of the Fund is calculated based on the fair value of investments using the close or last trade price ("Net Asset Value"). The Net Assets per unit for financial reporting purposes are based on the bid prices. The Net Asset Value and Net Assets, per unit at December 31 is as follows:

	2012	2011
	$	**$**
Net Asset Value	**11.25**	10.77
Net Assets	**11.24**	10.75

9. 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.

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.

9. Financial instruments and risk management (continued)

Interest Rate Risk (continued)

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

	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		-	21,538,344	1,012,907	10,365,315	74,155,511	-	107,072,077

	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	-	-	26,003,140	8,990,316	6,740,216	109,534,391	-	151,268,063

At December 31, 2012, 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 $7.6 million (December 31, 2011 - $9.9 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 $7.6 million (December 31, 2011 - $9.9 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 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.

9. Financial instruments and risk management (continued)

Credit Risk (continued)

Portfolio by rating category

Rating	**December 31, 2012 As a % of net assets**
AAA/Aaa	**47.74%**
AA/Aa	**6.47%**
A/A	**15.38%**
BBB/Baa	**30.32%**
Unrated	**0.00%**
Total	**99.91%**

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%

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 $22 million (2011-$26 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.

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, 2012 and 2011.

				as of December 31, 2012
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	**349,999**	**-**	**-**	**349,999**
Bonds	**-**	**57,526,301**	**-**	**57,526,301**
Mortgage Backed Securities (MBS)	**-**	**28,007,432**	**-**	**28,007,432**
Short Term Investments	**-**	**21,538,344**	**-**	**21,538,344**
	349,999	**107,072,077**	**-**	**107,422,076**

				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

The following is a reconciliation of Level 3 fair value assets from January 1, 2011 to December 31, 2011. The potential impact of using other reasonable assumptions for valuing the level 3 assets as at December 31, 2011 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
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	-

There were no transfers between Level 1 and 2 during 2012, the transfers out of Level 3 in 2011 were due to reclassification from Level 3 to Level 2.

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Bond Fund

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