Ridgewood Canadian Investment Grade Bond Fund

Interim Financial Report (Unaudited)
For the six months ended June 30, 2016

Message to Unitholders

The first half of 2016 produced positive returns for bond investors, particularly in the corporate bond sectors. The overall FTSE/TMX Universe Bond Index was up 4.05% but infrastructure bonds, which include sectors such as power generation, renewable energy and utilities, were up over 9%. This highlights the importance of sector selection within a bond portfolio as the low Government yields will only provide modest returns going forward. Globally, interest rates are continuing to decline and in some cases yields are negative on short term bonds. The search for income is expected to force investors to positive yielding assets and into corporate bonds in particular.

Long term Canada bonds, those maturing over 10 years, were the top performers year to date. Returns were over 10% in the communication sector as the overall higher yield created strong demand for these bonds. Short term bonds were the weakest performing sector, returning a modest 1% overall.

The Bank of Canada has kept interest rates on hold in 2016 and has repeatedly stated that they will not cut rates unless the economy weakens significantly. That being said they likely are on hold for an extended period of time. The European Central Bank has continued to push overnight rates into negative territory so the effect of this is net tightening by other central banks that are on hold.

Global growth has been steady but not to the level it should be at this point in the economic cycle. Therefore we expect interest rates will stay low and perhaps go lower for the remainder of the year. The demand for corporate bonds will remain robust and the fund is currently positioned to provide both income and capital appreciation.

June 30, 2016

UNAUDITED INTERIM REPORT STATEMENT

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

Ridgewood Canadian Investment Grade Bond Fund

Management's Responsibility for Financial Reporting

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

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

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

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

Ridgewood Canadian Investment Grade Bond Fund

Statements of Financial Position

As at June 30, 2016 (unaudited) and December 31, 2015

	June 30, 2016	December 31, 2015
Assets	**$**	**$**
Financial asset at fair value through profit or loss (cost 30-June-16 - $129,121,888; 31-Dec-15 - $112,805,977)	133,416,610	117,260,486
Cash	7,015	2,175,271
Receivable for investments sold	10,187	-
Accounts receivable relating to units issued	-	4,481,767
Accrued interest receivable	1,112,107	1,303,223
Total Assets	**134,545,919**	**125,220,747**
Liabilities		
Accrued expenses	179,282	126,056
Payable for investments purchased	2,305,967	-
Distribution payable	345,411	471,781
Loan payable (Note 9)	42,747,861	-
Liabilities for securities redeemed	-	44,177,329
Total Liabilities	**45,578,521**	**44,775,166**
Net assets attributable to holders of redeemable units	**88,967,398**	**80,445,581**
Number of units outstanding, Class A (Note 5)	**6,517,181**	**5,961,001**
Net assets attributable to holders of redeemable units per unit	**13.65**	**13.50**

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

Approved on behalf of the Board of Directors of the Manager:

John H. Simpson, CFA
Managing Director

Paul W. Meyer, CFA
Managing Director

Ridgewood Canadian Investment Grade Bond Fund

Statements of Comprehensive Income (unaudited)

For the 6 months ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015
	$	$
Income		
Interest for distribution purposes	3,124,984	4,657,268
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss		
Net realized gain on sale of investments	855,218	2,711,362
Net realized loss of foreign exchange on cash	(243)	(365)
Net realized gain (loss) on foreign exchange	(89,007)	17,922
Net change in unrealized appreciation (depreciation) on foreign exchange	-	55
Net change in unrealized depreciation of investments	(159,787)	(2,768,978)
Total operating income	**3,731,165**	**4,617,264**
Expenses		
Management fees (Note 7)	214,561	322,149
Administration fees	103,696	177,137
Legal fees	41,474	11,219
Independent Review Committee fees	6,233	4,467
Audit fees	-	1,255
Total operating expenses	**365,964**	**516,227**
Operating profit	**3,365,201**	**4,101,037**
Finance cost		
Interest and bank fees (Note 9)	230,099	483,299
Increase in net assets attributable to holders of redeemable units	**3,135,102**	**3,617,738**
Increase in net assets attributable to holders of redeemable units per unit, Class A (based on weighted average number of units outstanding during the period - (2016 - 6,159,637; 2015 - 8,708,286)	0.51	0.42

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

Ridgewood Canadian Investment Grade Bond Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)

For the 6 months ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015
	$	$
Net assets attributable to holders of redeemable units at beginning of period	80,445,581	107,991,974
Increase in net assets attributable to holders of redeemable units	3,135,102	3,617,738
Distributions:		
From net investment income	(2,036,818)	(2,776,163)
	1,098,284	**841,575**
Redeemable unit transactions		
Issue costs and agency fees	-	(479,677)
Proceeds from the issuance of units of the investment fund	7,425,003	15,080,779
Aggregate amounts paid on redemption of units of the investment fund	(1,470)	-
	7,423,533	14,601,102
Net assets attributable to holders of redeemable units at end of period	**88,967,398**	**123,434,651**

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

Ridgewood Canadian Investment Grade Bond Fund

Statements of Cash Flows (unaudited)

For the 6 months ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015
	$	$
Cash provided by (used in) operating activities		
Net increase in net assets attributable to holder of redeemable Units	3,135,102	3,617,738
Adjustments for:		
Net realized gain on sale of investments	(855,218)	(2,711,362)
Net change in unrealized depreciation of investments	159,787	2,768,978
Purchase of investments	(103,249,586)	(77,989,570)
Proceeds from sale of investments	90,084,673	54,844,254
(Increase) Decrease in accrued interest receivable	191,116	(165,048)
Decrease in accrued expenses	53,226	26,929
	(10,480,900)	**(19,608,081)**
Cash flows from financing activities		
Proceeds from the issuance of units of the investment fund	11,906,770	17,293,823
Issue costs and agency fees paid	-	(479,677)
Aggregate amounts paid on redemption of units of the investment fund	(44,178,799)	(2,395,823)
Distributions paid to unitholders	(2,163,188)	(2,797,079)
Change in loan payable	42,747,861	8,015,095
	8,312,644	**19,636,339**
Increase (decrease) in cash during the period	(2,168,256)	28,258
Cash, beginning of period	2,175,271	170,206
Cash, end of period	**7,015**	**198,464**
Interest received	3,316,100	4,492,221
Interest paid	208,998	493,137

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

Ridgewood Canadian Investment Grade Bond Fund

Schedule of Investments (unaudited)
As at June 30, 2016

Par Value	Security	Average Cost	Fair Value	% of net assets
		$	$	
	Canadian Bonds			
	Corporate Bonds			
5,000,000	AltaGas Ltd., Callable, 4.50%, 2044/08/15	4,591,750	4,699,699	
5,000,000	Brookfield Asset Management Inc., 5.95%, 2035/06/14*	5,549,480	5,696,920	
1,000,000	Bruce Power L.P., Restricted, 2.84%, 2021/06/23	1,000,000	1,012,559	
1,000,000	Bruce Power L.P., Restricted, Callable, 3.97%, 2026/06/23	1,000,000	1,021,395	
4,000,000	Cominar REIT, Series '10', 4.25%, 2023/05/23	4,000,000	4,072,309	
5,000,000	CT REIT, Series 'D', Callable, 3.29%, 2026/06/01	5,000,000	5,059,426	
4,000,000	Fairfax Financial Holdings Ltd., Callable, 5.84%, 2022/10/14*	4,175,024	4,443,441	
5,000,000	Fairfax Financial Holdings Ltd., 4.50%, 2023/03/22*	4,971,550	5,157,248	
5,000,000	First National Financial Corp., Callable, 4.01%, 2020/04/09*	4,998,660	5,056,933	
2,800,000	George Weston Ltd., Callable, 7.10%, 2032/02/05*	3,530,500	3,660,591	
5,000,000	Pembina Pipeline Corp., Callable, 4.75%, 2043/04/30*	4,926,700	4,747,178	
2,756,000	Real Estate Asset Liquidity Trust, Class 'E', Series '2016-1', Restricted, Variable Rate, Callable, 3.69%, 2026/05/12	2,323,766	2,346,045	
6,920,000	Reliance L.P., 4.08%, 2021/08/02*	6,942,792	7,062,633	
5,000,000	Shaw Communications Inc., Callable, 6.75%, 2039/11/09*	5,902,220	6,270,575	
5,600,000	Sobeys Inc., Series 'D', 6.06%, 2035/10/29*	6,155,520	6,128,076	
2,000,000	Sobeys Inc., Callable, 6.64%, 2040/06/07	2,295,780	2,304,368	
4,000,000	Toronto-Dominion Bank (The), Variable Rate, Callable, 4.86%, 2031/03/04*	4,000,000	4,379,328	
8,000,000	TransAlta Corp., Callable, 7.30%, 2029/10/22*	8,767,681	6,622,544	
1,900,000	TransAlta Corp., Step Coupon, 6.90%, 2030/11/15*	1,713,550	1,494,307	
		81,844,973	81,235,575	91.31%
	Asset-Backed Securities			
3,100,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2011-1', Variable Rate, Callable, 5.28%, 2021/02/12	2,899,833	3,356,405	
6,000,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2012-2', Variable Rate, Callable, 4.66%, 2022/07/12	5,434,200	5,865,813	
3,603,000	Institutional Mortgage Securities Canada Inc., Class 'E', Series '2012-2', Variable Rate, Callable, 4.66%, 2022/07/12	3,177,197	3,406,260	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D1', Series '2007-CA23', Variable Rate, Callable, 5.73%, 2017/08/12	4,726,750	5,140,000	
4,111,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA21', Variable Rate, 5.19%, 2040/01/12	3,821,380	4,129,500	
1,870,000	Merrill Lynch Financial Asset Inc., Class 'E', Series '2007-CA21', Variable Rate, 5.19%, 2040/01/12	1,732,555	1,862,520	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA22', Variable Rate, Callable, 5.22%, 2049/03/12	3,938,000	5,080,000	
2,137,860	Schooner Trust, Class 'E', Series '2007-7', Variable Rate, Callable, 5.17%, 2022/02/12	2,066,199	2,137,860	
3,000,000	Schooner Trust, Class 'D', Series '2007-8', Floating Rate, Callable, 5.23%, 2022/06/12	2,931,800	3,039,000	
3,886,087	Schooner Trust, Class 'E', Series '2007-8', Variable Rate, Callable, 5.23%, 2022/06/12	3,754,115	3,944,378	
		34,482,029	37,961,736	42.67%
	Total Canadian Bonds and ABS	116,327,002	119,197,311	133.98%
	U.S. Bonds			
	Corporate Bonds			
6,957,000	Citigroup Inc., Variable Rate, Callable, 5.16%, 2027/05/24*	6,190,079	7,667,629	
3,000,000	Fairfax (US) Inc., 4.88%, 2024/08/13	4,113,657	3,943,828	
		10,303,736	11,611,457	13.05%
	Total U.S. Bonds	10,303,736	11,611,457	13.05%
	Global Bonds			
	Corporate Bonds			
2,500,000	Aviva PLC, Restricted, 4.50%, 2021/05/10	2,491,150	2,607,842	
		2,491,150	2,607,842	2.93%
	Total Global Bonds	2,491,150	2,607,842	2.93%
	Total Investment Portfolio	**129,121,888**	**133,416,610**	149.96%
	Cash		7,015	0.01%
	Other assets less liabilities		(44,456,227)	-49.97%
	Total net assets attributable to holders of redeemable units		**88,967,398**	100.00%

* These securities are held as collateral with Scotiabank for the loan payable or margin account (Note 9)

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

1. ESTABLISHMENT OF THE FUND

Ridgewood Canadian Investment Grade Bond Fund (the "Fund") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated November 27, 2009, as amended and restated. Ridgewood Capital Asset Management Inc. ("Ridgewood" or the "Manager") is the Manager and Trustee of the Fund. The Fund's principal office is 55 University Avenue, Suite 1020, Toronto, Ontario M5J 2H7. The fiscal year end of the Fund is December 31.
Ridgewood is also the investment manager of the Fund. CIBC Mellon Trust Company is the custodian, transfer agent and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The Fund commenced operations on December 18, 2009. The Fund has a fixed termination date of December 31, 2019, recently extended from December 31, 2014. The financial statements were authorized for issuance by Ridgewood Capital Asset Management Inc. on August 24, 2016.

2. INVESTMENT OBJECTIVE OF THE FUND

The investment objective of the Fund is to maximize total returns for unitholders while preserving capital in the long term. The portfolio of securities of the Fund (the "Portfolio") will be invested primarily in Investment Grade Bonds issued by Canadian issuers available to domiciled investors. Investment Grade Bonds means debt securities and term loans that are generally rated at or above BBB- from S&P, or Baa3 or higher from Moody's Investor Services Inc., or a similar rating from a qualified rating agency. Currently, the Fund may invest up to 25% of the Portfolio in Investment Grade Bonds issued by non-Canadian issuers. As at June 30 and December 31 of each year (each a "Determination Date"), at least 90% of the Portfolio will be invested in securities denominated in Canadian dollars.

3. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These semi-annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) International Accounting Standard ("IAS") 34, Interim Financial Reporting as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Fund classifies its investments as financial assets at fair value through profit and loss ("FVTPL"). Financial assets have two sub-categories: those designated at FVTPL at inception, and financial assets held for trading. Financial assets designated at FVTPL at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Fund does not classify any investments as held for trading. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, on the accrual basis based on the bond coupon rate. The Fund's accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

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

Recognition, Initial Measurement and Classification

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the FVTPL designation for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading.

Capital Disclosures

The Fund's objectives, policies and processes for managing capital are described in Note 2. Information on the Fund's capital structure is described in Note 5 and Note 8. The fund does not have any externally imposed capital requirements other than disclosed in Note 8.

Valuation of Investments

For financial reporting purposes, investments are valued at their fair value. Investments held that are traded in an active market through recognized public stock exchange, over-the-counter markets, or through recognized investment dealers, are valued at their last traded market price where the last traded market price falls within the day's bid ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Investments held include equities, short-term notes, treasury bills, bonds, asset-backed securities and other debt instruments. The Fund policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3.

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

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

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

Cash is comprised of cash on deposit.

Investment Transactions and Income Recognition

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

Income Recognition

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

Financial Instruments – Disclosures

The Fund classifies fair value measurements within a hierarchy that prioritize 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 measurement). 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.

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

a) Bonds and short-term investments

Bonds include primarily government and corporate bonds. Short-term notes and treasury bills are stated at amortized cost plus accrued interest, which approximates fair market value. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds and short-term investments have been classified as Level 2.

Please see Note 12 for these disclosures.

Foreign currency

a) Functional and presentation currency

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

b) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in fair value.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

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

The Fund holds financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 – Financial Instruments - Disclosure for further information about the fair value measurement of the Fund's financial instruments.

b) Classification and measurement of investments designated as FVTPL.

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the FVTPL designation for the financial assets under IAS39, Financial instruments – Recognition and Measurement (IAS39). The most significant judgment made include the determination that certain investments are held-for-trading.

5. REDEEMABLE UNITS

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

Following are the redeemable unit transactions during the period:

June 30, 2016

	2016
Units outstanding,	
Beginning of period	5,961,001
Redeemable units issued for cash	556,180
Redeemable units redeemed	-
Units issued on	
reinvestment of distributions	-
Units outstanding, end of period	6,517,181

December 31, 2015

	2015
Units outstanding,	
Beginning of year	7,872,822
Redeemable units issued for cash	1,360,695
Redeemable units redeemed	(3,272,516)
Units issued on reinvestment of distributions	-
Units outstanding, end of year	5,961,001

6. RELATED PARTY TRANSACTIONS

The Fund's investment activities are managed by Ridgewood.

Management fees

Under the terms of the management agreement dated November 27, 2009 as amended and restated on December 17, 2009, the Fund appointed the Manager to provide management services. The Manager receives a fee based on the NAV of the Fund's units, accrued daily and payable monthly out of the assets of the Fund. The maximum management fee is equal to 0.50% (excluding HST) of the net asset value of the Fund. Services received under the Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund. Total Management fees for the period ended June 30, 2016 amounted to $214,561 (June 30, 2015 - $322,149).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2016 was $6,233 (June 30, 2015 - $4,467).

7. MANAGEMENT FEES AND EXPENSES

Ridgewood is entitled to an annual management fee payable out of the assets of the Fund. The management fee is equal to 0.50% (excluding HST) of the net asset value of the Fund.

Ongoing expenses are paid out of the assets of the Fund and include all normal day-to-day operating expenses of the Fund, including without limitation, mailing and printing expenses for periodic reports to unitholders and other unitholder communications including marketing and advertising expenses. Fees payable to the Custodian, the registrar and transfer agent, the Valuation Agent and/or other parties engaged by the Fund for performing certain financial, record keeping, reporting and general administrative services are charged to the Fund. Any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund, fees are payable to the Manager for performance of extraordinary services on behalf of the Fund, auditors and legal advisors; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Fund; and fees payable to the members of the independent review committee of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager or any other party is entitled to indemnity by the Fund. The Fund will be responsible for its costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.

8. DISTRIBUTIONS

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

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

9. LOAN PAYABLE INTEREST AND BANK FEES

The Fund has a margin account held at Scotiabank which requires collateral against loans (see Schedule of Investments). The Fund can borrow an amount up to 35% of the total assets of the Fund.

Loan Payable

As at June 30, 2016 the balance of the account was $42,747,861 (December 31, 2015 - $Nil). During the period the maximum amount borrowed was $47,678,861 (December 31, 2015 - $74,599,009) and the minimum amount borrowed was $Nil (December 31, 2015 - $Nil).

Interest and Bank Fees

Total interest and bank fees on the account were $230,099 for the period (2015 - $483,299). The account is charged interest based on Bloomberg Ticker Reference plus 70bps on debit spread or minus 25 bps on credit spread If interest rates had increased/decreased by 100 basis points interest expense would have changed by approximately $191,719 (2015 - $318,202).

10. 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 of 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, 2015 taxation year-end, the Fund had no capital losses and non-capital losses available for carryforward (2014 – Nil).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's financial instruments consist of bonds, asset-backed securities, liabilities for securities redeemed, cash and loan payable. As a result, the Fund is primarily exposed to interest rate risk and credit risk.

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

Interest Rate Risk

The Fund's interest-bearing financial assets 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. Since the loan payable is a short-term obligation the interest rate sensitivity is minimal.

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

As at June 30, 2016:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	$	$	$
Interest Rate Exposure	42,747,861	-	-

	1-3 years	3-5 years	More than 5 years
Investments	$	$	$
Interest Rate Exposure	5,140,000	12,033,739	116,242,871

	Non Interest bearing	**Total**
	$	$
Interest Rate Exposure	-	**133,416,610**

As at December 31, 2015:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	$	$	$
Interest Rate Exposure	-	-	-

	1-3 years	3-5 years	More than 5 years
Investments	$	$	$
Interest Rate Exposure	11,287,782	8,507,871	97,464,833

	Non Interest bearing	**Total**
	$	$
Interest Rate Exposure	-	**117,260,486**

At June 30, 2016, 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 $14.2 million (December 31, 2015 - $6.4 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 $14.2 million (December 31, 2015 - $6.4 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 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 A/A and BBB/Baa rated securities.

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

Portfolio by rating category
June 30, 2016

Rating	As a % of Net Assets
AAA/Aaa	5.71%
AA/Aa	-
A/A	13.54%
BBB/Baa	130.71%
Total	149.96%

Portfolio by rating category
December 31, 2015

Rating	As a % of Net Assets
AAA/Aaa	2.69%
AA/Aa	-
A/A	10.70%
BBB/Baa	135.07%
Total	148.46%

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 holds securities that are denominated in currencies other than the Canadian dollar. It is therefore exposed to currency risk.

As at June 30, 2016, the Fund held $4,016,760 (December 31, 2015 - $13,365,487) of its assets in foreign securities. As at June 30, 2016, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies represented in the portfolio, with all other variables remaining constant, net assets would have increased or decreased by approximately $200,838 (December 31, 2015 - $668,274). In practice, actual results may differ from this sensitivity analysis and the difference may be material.

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. The tables below analyze the Fund's financial liabilities as at June 30, 2016 and December 31, 2015.

As at June 30, 2016:

	1-3 months	> 3 months	Total
	$	$	$
Accrued expenses	179,282	-	179,282
Payable for investments purchased	2,305,967	-	2,305,967
Distribution payable	345,411	-	345,411
Loan payable	-	42,747,861	42,747,861
Total liabilities	2,830,660	42,747,861	45,578,521

As at December 31, 2015:

	1-3 months	> 3 months	Total
	$	$	$
Accrued expenses	126,056	-	126,056
Distribution payable	471,781	-	471,781
Liabilities for securities redeemed	44,177,329	-	44,177,329
Total liabilities	44,775,166	-	44,775,166

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units.

Market segments	June 30, 2016
Canadian Corporate Bonds	91.31%
U.S. Corporate Bonds	13.05%
Global Bonds	2.93%
Asset-Backed Securities	42.67%
Total	149.96%

Market segments	December 31, 2015
Canadian Corporate Bonds	72.17%
U.S. Corporate Bonds	9.36%
Global Bonds	16.13%
Asset-Backed Securities	48.11%
Total	145.77%

12. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's financial assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy described in Note 4. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015.

Financial Assets at fair value as of June 30, 2016	Level 1	Level 2	Level 3	Total
	$	$	$	$
Bonds	-	95,454,874	-	95,454,874
Asset-backed securities	-	37,961,736	-	37,961,736
Cash	7,015	-	-	7,015
Loan payable	-	(42,747,861)	-	(42,747,861)
Total	7,015	90,668,749	-	90,675,764

Financial Assets at fair value as of December 31, 2015	Level 1	Level 2	Level 3	Total
	$	$	$	$
Bonds	-	78,556,523	-	78,556,523
Asset-backed securities	-	38,703,963	-	38,703,963
Cash	2,175,271	-	-	2,175,271
Loan payable	-	-	-	-
Total	2,175,271	117,260,486	-	119,435,757

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period ended June 30, 2016 and year ended December 31, 2015.

In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2016 and year ended December 31, 2015.

13. Financial instruments by category

The following tables present the carrying amounts of the Fund's financial instruments by category

Financial Instruments by category as of June 30, 2016			
Assets	HFT	Financial assets at FVTPL Designated at inception	Total $
Non-derivative financial assets	-	133,416,610	133,416,610
Total	-	133,416,610	133,416,610

Financial Instruments by category as of December 31, 2015			
Assets	HFT	Financial assets at FVTPL Designated at inception	Total $
Non-derivative financial assets	-	117,260,486	117,260,486
Total	-	117,260,486	117,260,486

The Fund's financial instruments as at June 30, 2016 and December 31, 2015 are designated as FVTPL.

The Fund's net gains (losses) on financial instruments for the periods ended June 30, 2016 and 2015 were all from financial instruments designated as FVTPL.

14. Future accounting policies

Accounting standards issues and amendments not yet adopted

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

The final version of IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39. IFRS 9 introduces a model for classification and measurement of financial assets and liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Ridgewood is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

In December 2014, Disclosure Initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. The amendments also require separate disclosure of other comprehensive income attributable to joint ventures and associates, classified by nature. These amendments are effective for annual periods beginning on or after January 1, 2016. We will provide this disclosure in our December 31, 2016 Financial Statements.

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