ridgewood
CAPITAL ASSET MANAGEMENT

Ridgewood Canadian Investment Grade Bond Fund
Annual Report 2009

Message to Unitholders

Capital markets in 2009 were extremely volatile. In early March 2009, credit spreads reached levels not seen since late 1998; investors continued to avoid risky assets as the financial markets were constrained by the ongoing credit crisis and slowing economy. There was a globally coordinated response by central banks to lower interest rates and purchase bonds in the open market, in turn, to further lower rates and to help stimulate the housing market. An increase in investor risk aversion and demand for higher quality bonds caused Government bonds to rise in price while corporate bond prices fell. As a result of investor concerns, the US dollar rallied relative to other global currencies due to its reserve currency status. While other financial systems remained in jeopardy, Canada was the only western industrialized nation that did not have to bail out its banks.

In the second quarter of 2009, credit markets worldwide continued to rally from March lows as the market began to see a stabilization of the global economy. Results of the US governments stress testing of 19 financial institutions found that only a few required further capitalization, which gave the market confidence that a new credit cycle could begin. Leading indicators turned positive as the US economy began to grow month over month in the second quarter. Global central banks continued to signal a low interest rate environment for the rest of the year as inflationary concerns were put off until a recovery became evident.

Bond markets continued their rally in the third quarter as low interest rates pushed investors to higher yielding fixed income investments. Corporate balance sheets and cash flows also began to improve and this gave investors confidence to shift their funds from low yielding money market assets to these higher yielding fixed income securities. The central banks also continued their purchase of mortgages and government bonds which helped stabilize and support the capital markets.

For the first time since the financial crisis began, central banks started to discuss removing some of the stimulus programs put in place in late 2008 and early 2009. This was a good indicator that the economy and the capital markets had finally started to recover. Investors continued to sell low risk assets such as treasury bills and buy longer-term assets. In particular, corporate bonds were favoured by investors which helped this sector to be the top performer in the Canadian bond index.

We remain positive on the outlook for this economic environment and expect these trends to continue.

December 31, 2009

Ridgewood Canadian Investment Grade *Bond Fund*

Annual Report 2009

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2009

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 Investment Grade Bond Fund (the "Fund") for the year ended December 31, 2009. As the Fund closed its initial public offering on December 18, 2009, the information is limited to the period from December 18 to December 31, 2009. 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 visiting our website at www.ridgewoodcapital.ca or 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.

Investment Objectives and Strategies

The Fund will seek to achieve the following investment objectives:

- to provide unitholders with monthly cash distributions, initially targeted to be 5.25% per annum on the original issue price of $12.00 per unit; and
- to maximize total returns for unitholders while preserving capital in the long term.

The portfolio of the Fund will be invested primarily in investment grade bonds issued by Canadian issuers available to domiciled investors. In addition, the Fund may invest up to 10% of the Portfolio in U.S. investment grade bonds. From time to time, the Fund may hold cash and cash equivalents. As at each determination date (being June 30 and Dec 31 each year), at least 90% of the Portfolio will be invested in Canadian securities. The Fund may borrow an amount up to 25% of the total amount of the fund.

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 to a limited extent 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 during the second half of 2010 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.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2009

Summary of Investment Portfolio

The summary of the Fund's 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.

The following table shows a summary of the Fund's investment portfolio as at Dec 31, 2009.

Asset Mix

December 31, 2009

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	98.5	Cash & Short-Term Investments	1.1
		Other Net Assets (Liabilities)	0.4

Top 25 Holdings

		Percentage of Net Asset value
1	Merrill Lynch Financial Assets Inc., Class 'B', Series '2007-CDA23', Variable Rate, 5.55%, 2017/08/12	9.27%
2	NBC Asset Trust, Series '2', Variable Rate, Callable, 7.45%, 2020/06/30	9.14%
3	CIBC Capital Trust, Callable, 10.25%, 2108/06/30	9.09%
4	TransAlta Corp., Callable, 6.40%, 2019/11/18	8.65%
5	YPG Holdings Inc., Series '10', Callable, 7.75%, 2020/03/02	8.46%
6	Consumers' Waterheater Operating Trust (The), Callable, 6.75%, 2014/04/30	8.40%
7	TD Capital Trust IV, Callable, Variable Rate, 6.63%, 2108/06/30	6.88%
8	First Cap Realty Inc., Series 'G', 5.95%, 2015/06/01	6.42%
9	Shaw Communications Inc., Callable, 6.75%, 2039/11/09	6.26%
10	Brookfield Renewable Power Inc., Series '6', Callable, 6.13%, 2016/11/30	6.08%
11	Merrill Lynch & Co. Inc., Variable Rate, Callable, 5.29%, 2022/05/30	5.99%
12	AltaGas Income Trust, Callable, 6.94%, 2016/06/29	4.35%
13	CNH Capital Canada Wholesale Trust, Class 'B', Series 'CW2009-1', Variable Rate, 6.16%, 2012/12/15	4.22%
14	Citigroup Inc., Variable Rate, Callable, 5.16%, 2027/05/24	3.31%
15	Capital Power Income LP, Callable, 5.95%, 2036/06/23	1.92%
16	CTB Feb 18 2010	1.05%
17	Cash	0.02%

Results of Operations

For the year ended December 31, 2009, the net asset value of the Fund was $11.23 compared to the issue price of $12.00 on December 18, 2009. As the Fund closed its initial public offerng on December 18, 2009, its main activities in 2009 were to invest cash in investment grade bonds.

There were no distributions paid in 2009. Commencing in March 2010, the Fund will determine and announce each quarter the distribution amounts for the following quarter, based upon the Manager's estimate of distributable cash flow for the quarter. The Fund may make additional distributions in any given year.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2009

For the year ending December 31, 2009 (being the period from December 18 to December 31, 2009), the Fund had an annual compound return of -0.72% gross of fees of 2.87% while the DEX Universe Bond Index had a return of -0.82%. Fees included operating costs as well as costs associated with the Fund's initial public offering. 2009 is considered to be one of the better years for the bond market in recent history, specifically in the corporate sector. Ridgewood took advantage of historically high yields and over-weighted corporate bonds, which generated positive returns.

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. The net asset per security presented in the financial statement differs from the net asset value calculated for pricing purposes. An explanation of these different can be found in Note of the Fund's financial statements. 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.

The Fund's net assets per unit

Period		2009
Net assets, beginning of period (1)	$	12.00
Decrease from operations:		
Total revenue		0.02
Total expenses		(0.01)
Realized losses for the period		-
Unrealized losses for the period		(0.24)
Total decrease from operations (3)		(0.23)
Total annual distributions (4)		-
Net assets, end of period (2)(5)	$	11.23

(1) This information is derived from the Fund's audited annual financial statements. The units list their initial offering price of $12.00 per unit as the opening net asset value although such units may not have actually been issued at the beginning of the period. The inception date was December 18, 2009.

(2) The net assets per security presented in the financial statements differs from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

(3) Net assets per security and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the average number of units outstanding over the financial period.

(4) Distributions, if any, were paid in cash, reinvested in additional units of the Fund, or both.

(5) The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2009

Ratios and Supplemental Data

Period[1]		2009
Net asset value[2] (000's)	$	47,321
Number of units outstanding		4,200,000
Management expense ratio [3]		2.87%
Management expense ratio before waivers or absorptions [4]		2.87%
Trading expense ratio [5]		0.00%
Portfolio turnover rate [6]		0.43%
Net asset value per unit, end of period [2]	$	11.27

(1) This information is provided for the period ended December 31. The inception date is December 18, 2009.

(2) The impact of the adoption of the accounting policy Section 3855 on net assets may result in a different valuation of securities held by the Fund, for financial reporting purposes, than the market value used to determine the net asset value of the Fund for the purchase and redemption of the Fund's units. As a result, the net assets and the net assets per unit presented may differ from the net asset value and net asset value per unit as of December 31, 2007 and onward.

(3) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets during the year. Out of its management fees, the Manager pays for such services to the Fund as portfolio manager compensation, service fees and marketing. Management expense ratio is inclusive of performance fees.

(4) The Manager, at its discretion, waived and/or absorbed a portion of the fees and/or expenses otherwise payable by the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager. Management expense ratio is inclusive of performance fees.

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

(6) The Fund's portfolio turnover rate indicates how actively the Sub-Advisor trades the Fund's 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 year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

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 0.50% (applicable taxes) of the net asset value 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 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 2009, the Bank of Canada moved interest rates down from an already accommodative level of 1% to a record low of 0.25%. Interest rates remained low as the Bank of Canada endeavored to revive the economy which was contracting early in 2009. As a result, interest rate spreads on corporate bonds reached all time highs with investors concerned about potential risk of default.

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.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

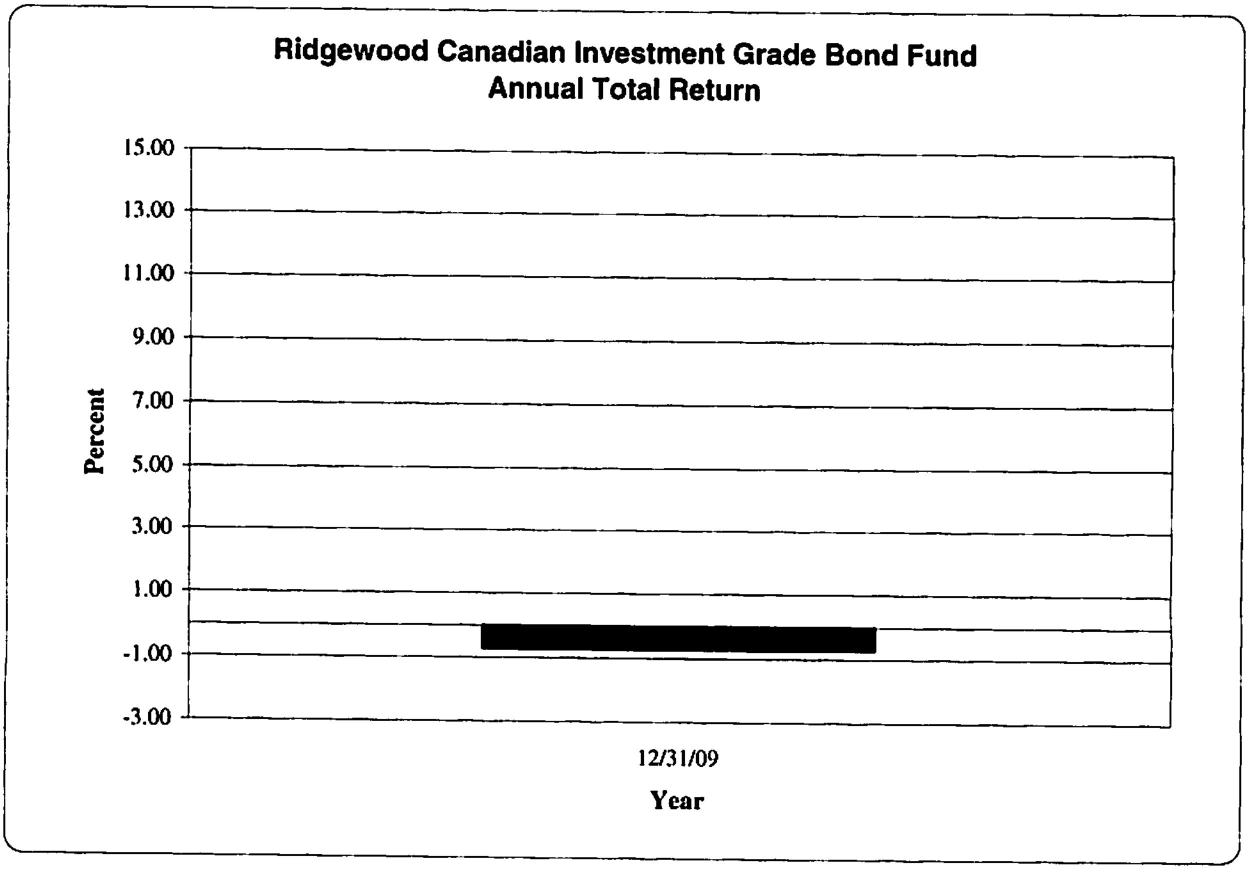
For the year ended December 31, 2009

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

- the return or performance information does not take into account sales, redemptions, distributions or other 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 since inception (being the period December 18, 2009 to December 31, 2009). The chart also shows, in percentage terms, how much an investment made on December 18, 2009 would have increased by the end of that fiscal year.



Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2009

Annual Compound Returns

The following table shows the Fund's historical annual compound total return (gross of fees of 2.87%) for the period from December 18 to December 31, 2009 as compared to the performance of the DEX Universe Bond Index during that same period.

	Since Inception
Ridgewood Canadian Investment Grade Bond Fund	-0.72%
DEX Universe Bond Index *	-0.82%

* 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 the declaration of trust of the Fund dated November 27, 2009, as mended and restated on December 17, 2009.

Ridgewood is the Manager and Trustee of the Fund pursuant to the Declaration of Trust dated, 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.

The members of the IRC of the Fund are G. Tomlinson Gunn, Allen B. Clarke, and Marshall E. Nicholishen. Mr. Gunn serves as the Chair of the IRC.

We confirm the Fund did not rely on any approvals or recommendation of the RIC 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 in the 2009 annual financial statements, the disclosure of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives.

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, 2009, 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.

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.

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 30, 2010

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

Auditors' Report

To the Unitholders of Ridgewood Investment Grade Bond Fund

We have audited the statement of investments and statement of net assets of Ridgewood Investment Grade Bond Fund (the "Fund") as at December 31, 2009, and the statements of financial operations and of changes in net assets for the period from December 18, 2009 to December 31, 2009. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Fund's management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009, and the results of its operations and the changes in its net assets for the period from December 18, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 19, 2010

Ridgewood Canadian Investment Grade *Bond Fund*

Statement of Net Assets

As at December 31, 2009

		2009
ASSETS		
Cash and cash equivalents	$	509,877
Investments at fair value (cost 2009 - $47,456,453)		46,467,451
Accrued income receivable		235,897
		47,213,225
LIABILITIES		
Accrued expenses		52,098
		52,098
TOTAL NET ASSETS REPRESENTED BY UNITHOLDERS' EQUITY	**$**	**47,161,127**
Number of Units Oustanding (Note 4)		**4,200,000**
Net assets per security (Note 8)	**$**	**11.23**

ON BEHALF OF THE MANAGER,
Ridgewood Capital Asset Management Inc.

Director: John H. Simpson

Director: Paul W. Meyer

Ridgewood Canadian Investment Grade *Bond Fund*

Statement of Financial Operations
As at December 31, 2009

For the Period from Inception on December 18, 2009 to December 31, 2009

		Dec. 18 - 31, 2009
REVENUE		
Interest revenue	$	67,886
EXPENSES (Note 5)		
Management fees	$	
Audit fees		8,866
Custodial fees		12,000
Legal fees		2,500
Securityholder reporting costs		17,732
Administration fees		11,000
		52,098
Net Investment Income		15,788
Realized and unrealized loss on investments		
Net Realized Loss		(1,660)
Change in unrealized loss		(989,002)
Net loss on investments		(990,662)
DECREASE IN NET ASSETS FROM OPERATIONS	$	(974,874)
DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT	$	(0.23)

Ridgewood Canadian Investment Grade *Bond Fund*

Statement of Changes in Net Assets
As at December 31, 2009

For the Period from Inception on December 18, 2009 to December 31, 2009

		2009
NET ASSETS BEGINNING OF THE YEAR	$	-
Decrease in net assets from operations		(974,874)
Capital transactions		
Issue Costs	$	(2,264,000)
Proceeds from the issuance of securities of the investment fund		50,400,001
Changed in Net Assets during the Period	$	48,136,001
NET ASSETS END OF THE YEAR	$	47,161,127

Ridgewood Canadian Investment Grade Bond Fund

Statement of Investments
As at December 31, 2009

Security		Par Value		Average Cost		Fair Value
CANADIAN BONDS (98.5%)						
Corporate Bonds (83.1%)						
AltaGas Income Trust, Callable, 6.94%, 2016/06/29	$	2,000,000	$	2,103,400	$	2,035,214
Brookfield Renewable Power Inc., Series '6', Callable, 6.13%, 2016/11/30		2,800,000		2,879,240		2,864,164
Capital Power Income LP, Callable, 5.95%, 2036/06/23		1,049,000		911,581		902,864
CIBC Capital Trust, Callable, 10.25%, 2108/06/30		3,000,000		4,470,000		4,294,324
Citigroup Inc., Variable Rate, Callable, 5.16%, 2027/05/24		2,000,000		1,642,540		1,529,260
CNH Capital Canada Wholesale Trust, Class 'B', Series 'CW2009-1', Variable Rate, 6.16%, 2012/12/15		2,000,000		2,000,000		2,000,000
Consumers' Waterheater Operating Trust (The), Callable, 6.75%, 2014/04/30		4,000,000		4,048,000		3,970,988
First Cap Realty Inc., Series 'G', 5.95%, 2015/06/01		3,000,000		3,076,200		3,013,996
NBC Asset Trust, Series '2', Variable Rate, Callable, 7.45%, 2020/06/30		4,000,000		4,484,000		4,314,763
Shaw Communications Inc., Callable, 6.75%, 2039/11/09		3,000,000		2,992,500		2,955,635
TD Capital Trust IV, Callable, Variable Rate, 6.63%, 2108/06/30		3,000,000		3,301,800		3,251,203
TransAlta Corp., Callable, 6.40%, 2019/11/18		4,000,000		4,104,800		4,082,577
YPG Holdings Inc., Series '10', Callable, 7.75%, 2020/03/02		4,000,000		4,120,600		3,995,291
Total Corporate Bonds				40,134,661		39,210,279
Asset-Backed Securities (15.4%)						
Merrill Lynch & Co. Inc., Variable Rate, Callable, 5.29%, 2022/05/30		3,000,000		2,928,000		2,863,380
Merrill Lynch Financial Assets Inc., Class 'B', Series '2007-CDA23', Variable Rate, 5.55%, 2017/08/12		5,676,000		4,393,792		4,393,792
Total Asset- Backed Securities				7,321,792		7,257,172
TOTAL CANADIAN BONDS				47,456,453		46,467,451
TOTAL INVESTMENT PORTFOLIO (98.5%)			$	47,456,453	$	46,467,451
Cash and cash equivalents (1.1%)						509,877
Other assets less liabilities (0.4%)						183,799
NET ASSETS AT FAIR VALUE (100.0%)					$	47,161,127

Notes to the Financial Statements

December 31, 2009

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 Declaration of Trust. Ridgewood is the Manager and 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.

CIBC Mellon Trust Company is the custodian, valuation agent, 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.

2. INVESTMENT OBJECTIVE OF THE FUND

The investment objective of the Fund is to provide unitholders with monthly cash distributions and to maximize total returns while preserving capital in the long term. The Fund primarily invests in investment grade bonds issued by Canadian issuers available to domiciled investors. In addition, the Fund holds cash and cash equivalents. As at each determination date (being June 30 & Dec 31 of each year), at least 90% of the funds will be invested in Canadian securities.

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, liabilities, income and expenses during the reported periods. Valuation of investments is considered as a significant estimate. Actual results may differ from estimates. The following is a summary of the Fund's significant accounting policies.

Capital Disclosures

The Fund's investment objectives and strategies are described in Note 2. Information on the Fund's unitholders' equity is described in Notes 4 and 6. The Fund does not have any externally imposed capital requirements.

Valuation of Investments

The Fund follows 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. This is different from the determination of the net asset value of the Fund.

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 based on quoted bid prices from securities dealers. If no bid prices are available, the securities are valued at the closing price. Bond prices are not priced in an exchange.

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

Income Recognition

Interest income is recognized as accrued.

New Accounting Policies

The Fund complies with recent amendments to CICA 3862, Financial Instruments – Disclosures. The revised disclosure requirements are intended to improve disclosures about fair value and liquidity risk. Disclosures about fair value of Financial Instruments, 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 instruments.

Amendments to Section 3862 of the CICA Handbook, Financial Instruments – Disclosures, establishes a fair value hierarchy that prioritizes 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.

Level 2 Inputs other than quoted prices that are 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.

On December 18, 2009, the Fund adopted Emerging Issues Committee ("EIC")-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC-173 clarifies how the Fund's own credit risk and counterparty risk should be taken into account in determining the fair value of financial instruments. The adoption of EIC-173 did not have an impact on the valuation of the Fund's financial instruments or its net assets.

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 Declaration of Trust and the number of units which may be issued is unlimited. The units of the Fund are fully paid when issued.

The following are the unit transactions during the period:

	2009
Units outstanding, Beginning of period	-
Units issued for cash	4,200,000
Units redeemed	-
Units issued on reinvestment of distributions	-
Units outstanding, end of period	4,200,000

5. 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% per annum (excluding applicable traxes) of the net asset value of the Fund.

Ongoing expenses of the Fund 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. In addition the following expenses are paid from the assets of 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 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 also will be responsible for its costs of portfolio transactions and any extraordinary expenses which it may incur from time to time. The Fund intends to pay monthly distributions, the initial distribution equal to $0.0525 per unit was payable to unitholders of record on February 26, 2010.

6. DISTRIBUTIONS

Commencing in March 2010, the Fund will determine and announce each quarter the distribution amounts for the following quarter, based upon the Manager's estimate of distributable cash flow for the quarter. The Fund may make additional distributions in any given year.

To the extent the yield of the Portfolio is recognized as income (including capital gains) for tax purposes, it will be distributed to Unitholders either as part of a monthly distribution or an additional distribution. If the yield of the Portfolio is not recognized as income or capital gains for tax purposes, it will not be distributed but rather remain part of the Net Asset Value. All amounts 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.

The distributions of the Fund are not guaranteed. The amount of monthly distributions will be based on the Manager's assessment of anticipated cash flows and the anticipated expenses of the Fund from time to time. The amount of distributions may fluctuate and there is no assurance that the Fund will make any distribution in any particular month or months.

7. INCOME TAXES

The Fund qualifies as a "mutual fund trust" under the Income Tax Act (Canada). The Fund may use 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 made payable to unitholders in each calendar year. Accordingly, no income tax is paid by the

Fund on such income. Such income is taxable in the hands of the unitholders.

At December 31, 2009, accumulated non-capital losses of approximately $339 and capital losses of approximately $1,660 are available for utilization against net investment income and realized gains on sales of investments respectively, in future years. The non-capital losses will expire in 2029 and capital losses can be carried forward indefinitely.

8. NET ASSET VALUE AND NET ASSETS

The Canadian securities regulatory authorities have published amendments to National Instrument 81-106 that remove the requirement that net asset value be calculated in accordance with Canadian GAAP. As a result of the amendments, the net asset value ("Net Asset Value") of the Fund will continue to be calculated using the fair value of investments using the close or last trade price. The adoption of these rules result in a Net Assets per unit for financial reporting purposes that is different from the 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:

December 31	2009
Net Asset Value	$11.27
Difference	(0.04)
Net Assets	$11.23

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Interest Rate Risk

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

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

As at December 31, 2009	Less than 1 month	1 - 3 months	3 months - 1 year
Interest Rate Exposure	$ -	$ 499,901	$ -

As at December 31, 2009	1-3 years	3-5 years	More than 5 years
Interest Rate Exposure	$ 2,000,000	$ 3,970,988	$40,496,463

As at December 31, 2009	Non Interest bearing	Total
Interest Rate Exposure	$ -	$ 46,967,352

At December 31, 2009, 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 $3.6 million, arising substantially from the increase in market values of debt securities. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets would amount to approximately $3.6 million.

Credit Risk

The value of the Fund's investments, which includes cash and cash equivalents, short-term investments, and long-term investments, represents the maximum exposure to credit risk to the Fund. The Fund limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with high quality government and financial institutions. To maximize the credit quality of its investments, the Fund's investment 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/A and BBB rated securities.

The Fund invests in financial assets, which have an investment grade as rated by a well-known rating agency.

Portfolio by rating category December 31, 2009	
Rating	As a % of Net Assets
AAA/Aaa	0.00%
AA/Aa	9.32%
A/A	47.12%
BBB/Baa	42.09%
Total	98.53%

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 currently 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 monthly 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 and cash equivalent positions.

The Fund's short-term investments of approximately $0.5 million are invested in Canadian Government treasury bills with less than 90 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

The Fund will be required to comply with International Financial Reporting Standards (IFRS) for the year beginning January 1, 2011.

11. FINANCIAL INSTRUMENTS - DISCLOSURES

Fair Value Disclosure

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 2 for a discussion of the Fund's policies regarding this hierarchy. 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, 2009.

	Financial Assets at fair value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Bonds	-	46,467,451	-	46,467,451
Short Term Investments	-	499,901	-	499,901
	-	46,967,352	-	46,967,352

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