Ridgewood Canadian Investment Grade Bond Fund

Annual Report 2017

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MESSAGE TO UNITHOLDERS 2017

The bond market experienced a modest overall gain of 1.24% in the first quarter as rates declined modestly. Corporate bonds outperformed the overall index by 59 basis points as risk assets attracted investors. The stock market was also a beneficiary as the S&P/TSX returned 2.41%. The positive market tone was aided by passive central banks which stayed on the sidelines as growth and inflation remained stable. The U.S. and the European central bank were still in quantitative easing mode as they continue to buy Government and corporate bonds in the open market. Commodities remained stable although inflation has approached the Bank of Canada's target of 2% which the market appeared to ignore for the most part.

In the second quarter stocks and bonds diverged. The bond market rallied again, returning 1.11% while equities retreated 1.64%. Although economic growth was rising, inflation moderated to 1.3% by the end of June. The result was a modest risk off trade where Government bonds outperformed corporate bonds and equities. The U.S. central bank raised rates twice for a total of 50 basis points as growth and employment continued to accelerate. The Bank of Canada remained on hold.

During the third quarter, interest rates began to rise and the Bank of Canada raised rates twice for a total of 50 basis points. The bond market was negatively impacted, losing 1.84%, while the S&P/TSX rose 3.68%. South of the border, the central bank took the summer off and kept rates steady 1-1.25% as a strong U.S. dollar kept inflation at bay. The stock market took that as a positive sign and money flowed into equites, providing a 4.48% return to investors in the S&P 500.

The bond market bounced back strongly in the fourth quarter. Investors were attracted to the higher yields with the bond index returning 2.02%, making it the strongest quarter of the year. While Canada stayed on hold, the U.S. overnight rates moved up 25 basis points to a 1.25-1.50% range. The stock market was in full rally mode as the economic back drop continued to improve, while inflation remained contained. For the year, the Canadian bond index returned +2.52%, while the TSX gained 9.1%. Infrastructure bonds were the top performer at +6.96%, followed by energy bonds at +5.00%. The weakest sector in the bond market was Canadian government bonds, rising only 0.12%. Although modest interest rate hikes are forecasted for 2018, we believe inflation will be subdued and corporate bonds will provide a higher level of income than Government bonds.

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2017

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, 2017. The annual audited 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 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 35% 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.

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 has an easing bias as inflation is low and growth is slowing down. Fixed income markets should benefit in this environment as rates will likely stay low for the foreseeable future. However, in a rising interest rate environment, bond prices will move down and the income generated by bonds may not be greater than the decrease in the price.

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 December 31, 2017.

Asset Mix

December 31, 2017

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	109.8	Asset-Backed Securities	31.6
Provincial Bonds	2.9		

Top 25 Holdings

		Percentage of Net Asset value
1.	Laurentian Bank of Canada, 4.25%, 2027/06/22	7.1%
2.	Enbridge 5.375%, 2027/09/27	7.1%
3.	First National Financial Corp., 4.01%, 2020/04/09	6.1%
4.	MCAP, 5.0%, 2022/12/14	5.9%
5.	Fairfax Financial Holdings Ltd., 4.25%, 2027/12/06	5.8%
6.	Cameco Corp., 5.09%, 2042/11/14	5.7%
7.	TransAlta Corp., 7.30%, 2029/10/22	5.5%
8.	Granite REIT Holdings LP., 3.873%, 2023/11/30	5.3%
9.	Brookfield Asset Management Inc., 5.95%, 2035/06/14	4.9%
10.	Teranet Holdings LP., 6.10%, 2041/06/17	4.6%
11.	Institutional Mortgage Securities Canada Inc., 2013-4 C, 4.423%, 2023/11/12	4.4%
12.	Fairfax Financial Holdings Ltd., 4.70%, 2026/12/16	4.4%
13.	Capital Power Corp., 4.284%, 2024/09/18	4.2%
14.	REALT 2016-2 D, 3.6175%, 2026/05/12	4.1%
15.	Smart REIT, 3.44%, 2026/08/28	4.0%
16.	Teranet Holdings LP., 5.754%, 2029/05/12	3.8%
17.	Bruce Power LP., 4.01%, 2029/06/21	3.7%
18.	Chartwell Retirement Residences, 3.786%, 2023/12/11	3.5%
19.	Transalta Corp, 6.90%, 2030/11/15	3.4%
20.	Institutional Mortgage Securities Canada Inc., 2012-2 D (Restricted), 4.73%, 2022/07/12	3.4%
21.	Medavie, 6.0%, 2019/05/21	3.0%
22.	George Weston Ltd., 6.69%, 2033/03/01	3.0%
23.	Allied Properties REIT, 3.636%, 2025/04/21	3.0%
24.	Province of Ontario, 2.9%, 2049/06/02	2.9%
25.	REALT 2016-2 E, 3.67%, 2026/06/12	2.6%
Total		111.4%

Results of Operations

For the year ended December 31, 2017, the net asset value of the Fund was $14.09 compared to $13.55 per unit at December 31, 2016.

In 2017 there were twelve distributions of $0.0530 each. 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.

For the year ending December 31, 2017 the Fund had an annual compound return of 8.82% net of fees of 1.39% (including HST) while the FTSE/TMX Universe Bond Index had a return of 2.51%. In 2017 corporate bonds returned 3.38%, beating the overall bond index. Corporate BBB, and more specifically Energy bonds, outperformed returning 3.99% and 5.00% respectively. The portfolio was overweight in these sectors and benefited from this exposure.

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 for the years ended December 31 is derived from the Fund's audited annual financial statements.

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2017

Information for the year ended December 31 is derived from the Fund's audited financial statements, with the exception of 2013 information, which was re-stated in accordance with IFRS requirements. For December 31, 2017, December 31, 2016 and December 31, 2015, the Net Assets included in the Net Assets per Unit table is from the Fund's audited financial statements and are calculated using closing prices as well 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.

The Fund's Net Assets per Unit

Class A

Year	2017	2016	2015	2014	2013
Net assets value, beginning of year	$ 13.55	$ 13.50	$ 13.72	$ 12.51	$ 12.36
Increase from operations:					
Total revenue	0.95	1.02	1.08	1.03	0.92
Total expenses	(0.20)	(0.19)	(0.20)	(0.24)	(0.29)
Realized gains (losses)	0.37	0.33	0.31	0.44	0.24
Unrealized gains (losses)	0.02	(0.45)	(0.83)	0.59	0.20
Total increase (decrease) from operations (3)	1.14	0.71	0.36	1.82	1.07
Distributions:					
From net investment income (excluding dividends)	(0.76)	(0.80)	(0.92)	(0.68)	(0.59)
From net realized capital gains	(0.32)	(0.18)	(0.44)	(0.39)	(0.11)
From return of capital	-	-	-	-	(0.35)
Total annual distributions (4)	(1.08)	(0.98)	(1.36)	(1.07)	(1.05)
Net assets value, end of year (2)(5)	**$** 14.09	**$** 13.55	**$** 13.50	**$** 13.72	**$** 12.51

(1) *This information is derived from the Fund's audited annual financial statements as at December 31 of the year, with the exception of 2013 information, which was re-stated in accordance with new IFRS requirements. For all prior years the financial statements of the Fund were prepared in accordance with Canadian GAAP applicable to public enterprises. Class A 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 year. The inception date for Class A units 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 for 2013 and 2014. 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 year.*

(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.*

Ratios and Supplemental Data

Class A

Year (1)	**2017** (1)	**2016**	**2015**	**2014**	**2013**
Net asset value (000's)	**$** 169,672	**$** 104,049	**$** 80,446	$ 107,992	$ 89,154
Number of units outstanding	12,040,621	7,679,487	5,961,001	7,872,822	7,126,722
Management expense ratio (3)	1.39%	1.39%	1.46%	1.83%	2.35%
Management expense ratio before waivers or absorptions (4)	1.39%	1.39%	1.46%	1.83%	2.35%
Trading expense ratio(6)	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate (5)	92.29%	138.28%	59.45%	29.55%	23.25%
Closing market price	$ 14.99	$ 14.55	$ 13.85	$ 13.73	$ 13.98
Net asset value per unit, end of year	$ 14.09	$ 13.55	$ 13.50	$ 13.72	$ 12.51

[(1)] *The information is provided for the year ended December 31, 2017*
[(2)] *The inception date for Class A is December 18, 2009.*
[(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, may waive and/or absorb 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.*
[(5)] *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.*
[(6)] *The trading expense ratio represents total commissions and other portfolio transactions costs expressed as an annualized percentage of daily average net asset value during the year.*

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% (plus 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

The bond market had a positive 2017, returning 2.51% as inflation moderated during the year. This was a welcome development considering the Bank of Canada raised overnight interest rates twice for a total increase of 50 basis points. A firm Canadian dollar, supported by a stronger oil price helped keep a lid on inflationary pressures. The U.S central bank also raised interest rates three times for a total of 75 basis points. In addition, the Federal Open Market Committee announced they will be tapering their bond purchases and begin the process of ending the quantitative easing program put in place after the mortgage and banking crisis in 2008. The European Central bank will likely begin their own tapering later this year. Given debt levels globally are high, we believe interest rate increases in this cycle will be considerably less than they have been historically.

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 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.

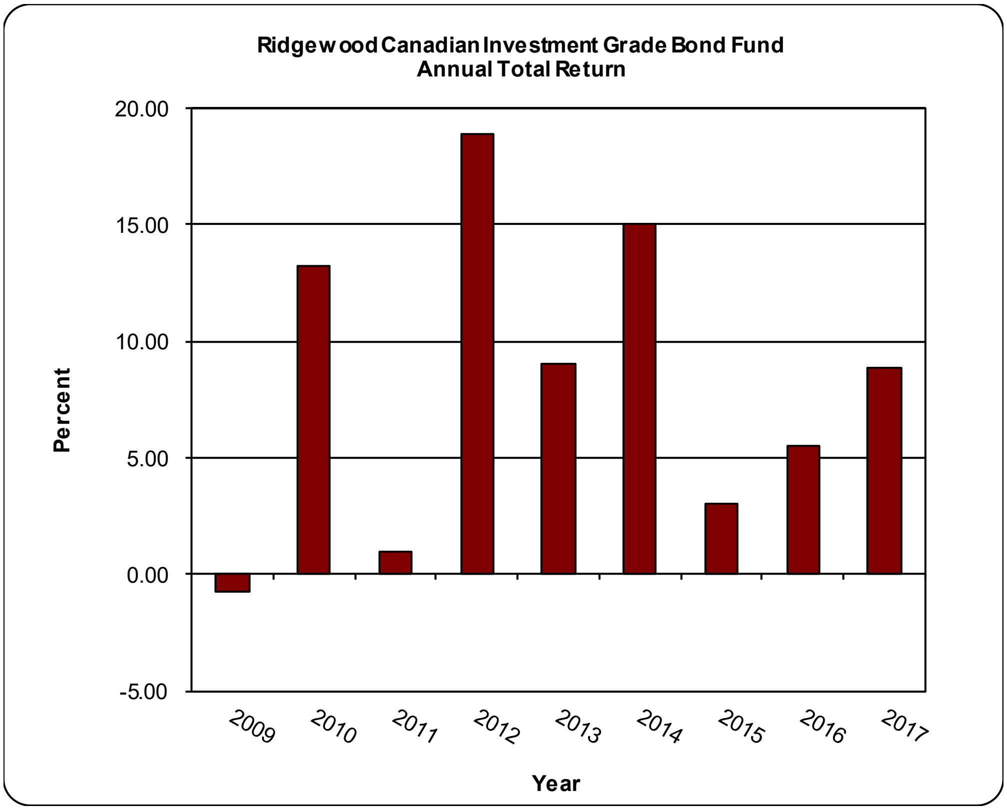
Year-By-Year Returns

The bar chart illustrates how the Fund's annual total return in each of the past nine years has varied. The chart also shows, in percentage terms, how much an investment made on December 18, 2009 and January 1, of each year would have increased or decreased by the end of that fiscal year.

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2017

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (net of fees of 1.39%, including HST) for the periods ended December 31 as compared to the performance of the FTSE TMX Canada Universal Bond Index.

	One Year	Three Years	Five Years	Ten Years
Ridgewood Canadian Investment Grade Bond Fund	**8.82%**	5.74%	8.19%	
DEX Universe Bond Index *	**2.51%**	2.56%	3.01%	

* FTSE TMX Canada Universe Bond (formerly, DEX 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.

For the period, January 1 to December 31, 2017, 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 IRC concerning related party transactions during the year.

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.

The Fund plans to adopt the new standard on the required effective date. During 2017, the Fund has performed a high-level impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Fund in the future. Overall, the standard is not expected to have a material impact on the measurement basis of the financial assets held by the Fund since the majority of the financial assets are measured at fair value through profit or loss. No impact on the net assets attributable to holders of redeemable units and the results of the Fund is expected from the adoption of IFRS 9.

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 IFRS (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 annual 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
Director
Ridgewood Capital Asset Management Inc.

Paul W. Meyer
Director
Ridgewood Capital Asset Management Inc.

March 12, 2018

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Independent Auditor's Report

To the Unitholders of
Ridgewood Canadian Investment Grade Bond Fund

We have audited the accompanying financial statements of the Ridgewood Canadian Investment Grade Bond Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows 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 International Financial Reporting Standards, 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 audits 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 controls 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 controls. 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.

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ridgewood Canadian Investment Grade Bond Fund as at December 31, 2017 and December 31, 2016, and its financial performance, its changes in net assets attributable to holders of redeemable units and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 12, 2018

Ridgewood Canadian Investment Grade Bond Fund

Statements of Financial Position

As at December 31, 2017 and 2016

	December 31, 2017	December 31, 2016
Assets	**$**	**$**
Financial asset at fair value through profit or loss (cost 31-Dec-17 - $243,128,450; 31-Dec-16 - $143,916,320)	244,930,870	145,529,934
Cash	10,583	8,974
Accrued interest receivable	1,542,029	1,071,742
Total Assets	**246,483,482**	**146,610,650**
Liabilities		
Redemptions payable	-	268,800
Accrued expenses	222,474	160,414
Distribution payable	638,153	407,013
Loan payable (Note 9)	75,950,821	41,725,774
Total Liabilities	**76,811,448**	**42,562,001**
Net assets attributable to holders of redeemable units	**169,672,034**	**104,048,649**
Number of units outstanding, Class A (Note 5)	**12,040,621**	**7,679,487**
Net assets attributable to holders of redeemable units per unit	**14.09**	**13.55**

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

For the years ended December 31, 2017 and 2016

	December 31, 2017	December 31, 2016
	$	$
Income		
Interest for distribution purposes	9,751,196	6,482,805
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	3,796,492	2,201,080
Net realized gain (loss) of foreign exchange on cash	7,746	(850)
Net realized loss on foreign exchange	(15,829)	(71,020)
Net change in unrealized depreciation on foreign exchange	(1,038)	(17,194)
Net change in unrealized appreciation (depreciation) of investments	188,806	(2,840,895)
Total operating income	**13,727,373**	**5,753,926**
Expenses		
Management fees (Notes 6 and 7)	786,814	460,082
Administration fees	217,573	148,954
Audit fees	30,826	12,797
Independent Review Committee fees (Note 6)	19,357	14,867
Legal fees	15,671	66,116
Total operating expenses	**1,070,241**	**702,816**
Operating profit	**12,657,132**	**5,051,110**
Finance cost		
Interest and bank fees (Note 9)	943,670	501,347
Increase in net assets attributable to holders of redeemable units	**11,713,462**	**4,549,763**
Increase in net assets attributable to holders of redeemable units per unit, Class A (based on weighted average number of units outstanding during the year - (2017 - 10,292,767; 2016 - 6,390,153)	1.14	0.71

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

For the years ended December 31, 2017 and 2016

	December 31, 2017	December 31, 2016
	$	$
Net assets attributable to holders of redeemable units at beginning of year	104,048,649	80,445,581
Increase in net assets attributable to holders of redeemable units	11,713,462	4,549,763
Distributions:		
From net investment income	(7,481,508)	(4,924,114)
From net realized capital gains	(3,810,793)	(1,404,468)
	421,161	**(1,778,819)**
Redeemable unit transactions		
Issue costs and agency fees	(180,771)	(28,915)
Proceeds from the issuance of units of the investment fund	60,758,810	23,523,374
Aggregate amounts paid on redemption of units of the investment fund	(2,200)	(270,270)
Securities issued on reinvestment of distributions	4,626,385	2,157,698
	65,202,224	**25,381,887**
Net assets attributable to holders of redeemable units at end of year	**169,672,034**	**104,048,649**

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

Ridgewood Canadian Investment Grade Bond Fund

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	December 31, 2017	December 31, 2016
	$	$
Cash provided by (used in) operating activities		
Net increase in net assets attributable to holder of redeemable Units	11,713,462	4,549,763
Adjustments for:		
Net realized gain on sale of investments	(3,796,492)	(2,201,080)
Net change in unrealized (appreciation) depreciation of investments	(188,806)	2,840,895
Purchase of investments	(291,367,322)	(208,796,838)
Proceeds from sale of investments	195,951,684	179,887,575
Increase (Decrease) in accrued interest receivable	(470,287)	231,481
Increase in accrued expenses	62,060	34,358
	(88,095,701)	**(23,453,846)**
Cash flows from financing activities		
Proceeds from the issuance of units of the investment fund	60,758,810	28,005,141
Issue costs and agency fees paid	(180,771)	(28,915)
Aggregate amounts paid on redemption of units of the investment fund	(271,000)	(44,178,799)
Distributions paid to unitholders	(6,434,776)	(4,235,652)
Change in loan payable	34,225,047	41,725,774
	88,097,310	**21,287,549**
Increase (Decrease) in cash during the year	1,609	(2,166,297)
Cash, beginning of year	8,974	2,175,271
Cash and cash equivalents, end of year	**10,583**	**8,974**
Interest received	9,280,909	6,714,286
Interest paid	886,277	480,648

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

Ridgewood Canadian Investment Grade Bond Fund

Schedule of Investments

As at December 31, 2017

Par Value	Security	Average Cost	Fair Value	% of net assets
		$	$	
	Canadian Bonds			
	Corporate Bonds			
4,000,000	Algonquin Power Co., Callable, 4.09%, 2027/02/17*	3,997,160	4,133,874	
5,203,000	Allied Properties REIT, Series 'C', Callable, 3.64%, 2025/04/12	5,062,519	5,066,033	
7,000,000	Brookfield Asset Management Inc., 5.95%, 2035/06/14*	7,715,280	8,237,456	
3,500,000	Brookfield Infrastructure Finance ULC, Callable, 3.32%, 2024/02/22	3,511,100	3,486,439	
6,000,000	Bruce Power L.P., Series '17-2', Callable, 4.01%, 2029/06/21*	6,000,240	6,254,499	
3,000,000	Cameco Corp., Series 'E', 3.75%, 2022/11/14	3,002,670	2,963,124	
10,482,000	Cameco Corp., 5.09%, 2042/11/14	9,929,847	9,595,203	
7,000,000	Capital Power Corp., Callable, 4.28%, 2024/09/18	7,000,000	7,118,150	
6,000,000	Chartwell Retirement Residences, Callable, 3.79%, 2023/12/11	6,000,000	5,990,087	
12,000,000	Enbridge Inc., Variable Rate, Callable, 5.38%, 2077/09/27	12,059,541	11,959,539	
3,000,000	Enercare Solutions Inc., Series '2017-2', Callable, 3.99%, 2024/02/21*	2,999,460	3,075,100	
7,250,000	Fairfax Financial Holdings Ltd., Callable, 4.70%, 2026/12/16*	7,246,313	7,508,720	
10,000,000	Fairfax Financial Holdings Ltd., Callable, 4.25%, 2027/12/06	9,999,200	9,909,456	
10,304,000	First National Financial Corp., Callable, 4.01%, 2020/04/09	10,334,236	10,351,554	
3,300,000	George Weston Ltd., Callable, 7.10%, 2032/02/05*	4,165,500	4,283,106	
4,000,000	George Weston Ltd., 6.69%, 2033/03/01*	5,033,320	5,074,876	
9,000,000	Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30*	9,013,060	9,035,031	
3,000,000	Husky Energy Inc., Callable, 3.60%, 2027/03/10	2,993,520	2,991,721	
12,000,000	Laurentian Bank of Canada, Variable Rate, Callable, 4.25%, 2027/06/22	12,020,470	12,081,476	
3,000,000	Loblaw Cos. Ltd., 5.86%, 2043/06/18	3,470,120	3,506,720	
10,000,000	MCAP Commercial L.P., 5.00%, 2022/12/14	10,000,000	10,019,319	
5,000,000	Medavie Inc., Series '1', Variable Rate, Restricted, Callable, 6.00%, 2024/05/21	5,059,550	5,080,000	
2,500,000	Shaw Communications Inc., Callable, 3.80%, 2027/03/01	2,497,525	2,550,629	
7,000,000	Smart REIT, Series 'P', Callable, 3.44%, 2026/08/28*	7,009,450	6,831,611	
6,000,000	Teranet Holdings L.P., Callable, 5.75%, 2040/12/17	6,550,360	6,384,840	
7,032,000	Teranet Holdings L.P., Callable, 6.10%, 2041/06/17*	7,891,562	7,772,912	
8,500,000	TransAlta Corp., 7.30%, 2029/10/22*	9,262,680	9,273,689	
5,400,000	TransAlta Corp., Step Coupon, 6.90%, 2030/11/15*	5,321,475	5,745,958	
		185,146,158	186,281,122	109.79%
	Mortgage-Backed Securities			
3,100,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2011-1', Variable Rate, Callable, 5.35%, 2021/02/12	2,899,833	3,194,069	
6,000,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2012-2', Variable Rate, Callable,, 4.73%, 2022/07/12	5,434,200	5,701,332	
3,603,000	Institutional Mortgage Securities Canada Inc., Class 'E', Series '2012-2', Variable Rate, Callable,, 4.73%, 2022/07/12	3,177,197	3,281,157	
2,659,000	Institutional Mortgage Securities Canada Inc., Class 'B', Series '2013-4', Variable Rate, Restricted, Callable, 4.24%, 2023/10/12	2,667,854	2,659,000	
7,667,000	Institutional Mortgage Securities Canada Inc., Class 'C', Series '2013-4', Variable Rate, Restricted, Callable, 4.42%, 2023/11/12	7,490,659	7,551,995	
2,422,000	Institutional Mortgage Securities Canada Inc., Class 'C', Series '2016-7', Callable, 3.60%, 2026/10/12	2,332,690	2,251,249	
3,230,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2016-7', Variable Rate, Callable, 3.83%, 2026/10/12	2,919,044	2,835,940	
2,125,664	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA21', Variable Rate, 5.20%, 2040/01/12	1,975,911	2,125,664	
1,870,000	Merrill Lynch Financial Asset Inc., Class 'E', Series '2007-CA21', Variable Rate, 5.20%, 2040/01/12	1,732,555	1,870,000	
4,513,000	Real Estate Asset Liquidity Trust, Class 'D', Series '2016-1', Variable Rate, Callable, 3.64%, 2026/05/12	3,993,012	3,948,875	
2,756,000	Real Estate Asset Liquidity Trust, Class 'E', Series '2016-1', Variable Rate, Callable, Restricted, 3.69%, 2026/05/12	2,323,766	2,328,820	
4,800,000	Real Estate Asset Liquidity Trust, Class 'C', Series '2017', Callable, 3.93%, 2027/07/12	4,379,765	4,408,800	
8,000,000	Real Estate Asset Liquidity Trust, Class 'D', Series '2016-2', Variable Rate, Callable, 3.62%, 2026/05/12	7,091,600	7,040,000	
5,269,000	Real Estate Asset Liquidity Trust, Class 'E', Series '2016-2', Variable Rate, Callable, Restricted, 3.67%, 2026/06/12	4,466,456	4,478,650	
		52,884,542	53,675,551	31.63%
	Provincial Government and Guaranteed			
5,000,000	Province of Ontario, 2.90%, 2049/06/02	5,097,750	4,974,197	
		5,097,750	4,974,197	2.93%
	Total Canadian Bonds and ABS	243,128,450	244,930,870	144.35%
	Total Investment Portfolio	**243,128,450**	**244,930,870**	144.35%
	Cash		10,583	0.01%
	Other assets less liabilities		(75,269,419)	-44.35%
	Total net assets attributable to holders of redeemable units		**169,672,034**	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, administrator 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 March 12, 2018

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 has been invested in securities denominated in Canadian dollars.

3. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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. As at December 31, 2017, no amounts were offset in the financial statements.

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.

Valuation of Investments

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.

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

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 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.

Level 3 Inputs that are unobservable.

All fair value measurements above are recurring. The carrying values of cash, interest receivable, 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 financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements of the Fund are presented in Canadian Dollar ("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.

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 year:

December 31, 2017

	2017
Units outstanding,	
Beginning of year	7,679,487
Redeemable units issued for cash	4,361,134
Redeemable units redeemed	-
Units issued on	
reinvestment of distributions	-
Units outstanding, end of year	12,040,621

December 31, 2016

	2016
Units outstanding,	
Beginning of year	5,961,001
Redeemable units issued for cash	1,718,486
Redeemable units redeemed	-
Units issued on	
reinvestment of distributions	-
Units outstanding, end of year	7,679,487

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 year ended December 31, 2017 amounted to $786,814 (2016 - $460,082).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2017 was $19,357 (2016 - $14,867).

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. BROKERAGE COMMISSIONS

The Fund uses some of the commissions generated from transactions with the brokerage industry for goods and services used in the investment decision making process and order executions.

9. 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.

10. 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 December 31, 2017 the balance of the account was $75,950,821 (2016 - $41,725,774). During the year the maximum amount borrowed was $95,487,012 (2016 - $52,456,069) and the minimum amount borrowed was $34,029,829 (2016 - nil).

Interest and Bank Fees

Total interest and bank fees on the account were $943,670 for the year (2016 - $501,347). The account is charged interest based on Bloomberg Ticker Reference plus 70 basis points for part of the year than 60 basis points for the remainder of the year on debit spread or minus 25 basis points on credit spread If interest rates had increased/decreased by 100 basis points interest expense would have changed by approximately $695,158 (2016 - $415,236).

11. 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, 2017 taxation year-end, the Fund had no capital losses and non-capital losses available for carryforward (2016 – Nil).

12. 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 December 31, 2017:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	$	$	$
Interest Rate Exposure		75,950,821	-

	Less than 1 year	1-3 years	3-5 years	More than 5 years
Investments	$	$	$	$
Interest Rate Exposure	-	10,351,554	25,159,001	209,420,315

	Non Interest bearing	**Total**
	$	$
Interest Rate Exposure	-	**244,930,870**

As at December 31, 2016:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	$	$	$
Interest Rate Exposure	-	41,725,774	-

	Less than 1 year	1-3 years	3-5 years	More than 5 years
Investments	$	$	$	$
Interest Rate Exposure	5,062,500	1,467,196	17,066,213	121,934,025

	Non Interest bearing	**Total**
	$	$
Interest Rate Exposure	-	**145,529,934**

At December 31, 2017, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the year would amount to approximately $12.1 million (2016 - $7.9 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 $12.1 million (2016 - $7.9 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 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
December 31, 2017

Rating	**As a % of Net Assets**
AAA/Aaa	-
AA/Aa	5.75%
A/A	13.23%
BBB/Baa	115.26%
Below BBB	7.12%
Unrated	2.99%
Total	144.35%

Portfolio by rating category
December 31, 2016

Rating	**As a % of Net Assets**
AAA/Aaa	2.11%
AA/Aa	-
A/A	11.43%
BBB/Baa	124.43%
Below BBB	1.89%
Total	139.86%

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 December 31, 2017, the Fund held Nil (December 31, 2016 - $4,021,319) of its assets in foreign securities. As at December 31, 2017, 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 Nil (December 31, 2016 - $201,066). 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 analyse the Fund's financial liabilities as at December 31, 2017 and December 31, 2016.

As at December 31, 2017:

	1-3 months	> 3 months	Total
	$	$	$
Redemptions payable	-	-	-
Accrued expenses	222,474	-	222,474
Distribution payable	638,153	-	638,153
Loan payable	75,950,821	-	75,950,821
Total liabilities	76,811,448	-	76,811,448

As at December 31, 2016:

	1-3 months	> 3 months	Total
	$	$	$
Redemption Payable	268,800	-	268,800
Accrued expenses	160,414	-	160,414
Distribution payable	407,013	-	407,013
Loan payable	41,725,774	-	41,725,774
Total liabilities	42,562,001	-	42,562,001

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	December 31, 2017
Canadian Corporate Bonds	109.79%
Provincial Government and Guaranteed	2.93%
Mortgage-Backed Securities	31.63%
Total	144.35%

Market segments	December 31, 2016
Canadian Corporate Bonds	81.14%
Canadian Government Bonds	2.11%
U.S. Corporate Bonds	7.57%
Global Bonds	1.91%
Mortgage-Backed Securities	47.13%
Total	139.86%

13. Financial Instruments

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 financial instruments measured at fair value on a recurring basis as of December 31, 2017 and 2016.

	Financial Instruments at fair value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Bonds &Guarantees	-	191,255,319	-	191,255,319
Mortgage-backed securities	-	53,675,551	-	53,675,551
Cash	10,583	-	-	10,583
Loan payable	-	75,950,821	-	75,950,821
Total	10,583	320,881,691	-	320,892,274

	Financial Instruments at fair value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Bonds	-	96,494,413	-	96,494,413
Mortgage-backed securities	-	49,035,521	-	49,035,521
Cash	8,974	-	-	8,974
Loan payable	-	41,725,774	-	41,725,774
Total	8,974	187,255,708	-	187,264,682

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 years ended December 31, 2017 and 2016.

In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2017 and 2016.

14. 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 December 31, 2017	
		Financial assets at FVTPL	Total
Assets	HFT	Designated at inception	$
Non-derivative financial assets	-	244,930,870	244,930,870
Total	-	244,930,870	244,930,870

		Financial Instruments by category as of December 31, 2016	
		Financial assets at FVTPL	Total
Assets	HFT	Designated at inception	$
Non-derivative financial assets	-	145,529,934	145,529,934
Total	-	145,529,934	145,529,934

The Fund's financial instruments as at December 31, 2017 and December 31, 2016 are designated as FVTPL.

The Fund's net gains (losses) on financial instruments for the years ended December 31, 2017 and 2016 were all from financial instruments designated as FVTPL.

15. Future accounting policies

Accounting standards issues and amendments not yet adopted

New standards, amendments and interpretations issued but not yet effective

IFRS 9 Financial Instruments ("*IFRS 9*")

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The fund plans to adopt the new standard the date it becomes effective.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Fund's business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income. Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Fund makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Fund's financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL. Loans, and other financial instruments at amortized cost, will continue to be measured at amortized cost as the business model for these is solely to collect principal and interest. However, the Fund will continue to analyze the contractual cash flow characteristics of these financial instruments before concluding on the classification and measurement as per IFRS 9.

Impairment of financial assets

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the Fund's financial assets given that the majority of the Fund's financial assets will continue to be measured at FVTPL.

Hedge accounting

The Fund does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Fund's financial statements.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact to the Fund's financial statements.

Mutual Funds
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