Ridgewood Canadian Investment Grade Bond Fund

Annual Report 2012

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MESSAGE TO UNITHOLDERS

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

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

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of the Bank of Canada, was hawkish throughout the year, stating that considerable monetary stimulus will have to be withdrawn at some point in the future.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

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

March 2013

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, 2011. 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 25% of the Portfolio in Investment Grade Bonds issued by non-Canadian issuers. As at June 30 and December 31 of each year (each a "Determination Date"), at least 90% of the Portfolio will be invested in securities denominated in Canadian dollars.

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 in 2013 to begin normalizing lending costs. This action could have an impact on fixed income securities particularly in the 1-5 year area of the bond market. In a rising interest rate environment, bond prices will move down and the income generated by bonds may not be greater that the decrease in the price.

Summary of Investment Portfolio

The summary of 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, 2012.

Asset Mix

December 31, 2012

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	99.8	Income receivable	.2

Top 25 Holdings

	Percentage of Net Asset value
1. Citigroup Inc., 5.16%, 2022/05//24	6.7%
2. Lloyds TSB Bank PLC, 10.125%, 2021/12/16	6.4%
3. Institutional Mortgage Securities Canada Inc., C2012-2 D, 2022/07/12	6.1%
4. Fairfax Financial 5.84%, 2022/10/14	5.9%
5. Equitable Group 5.399%, 2017/10/23	5.7%
6. Citigroup Inc., 5.365%, 2036/03/06	5.4%
7. Merrill Lynch Financial Asset Inc., C19 D 2016/06/12	5.4%
8. Merrill Lynch Financial Asset Inc., CA23 D1 2017/08/12	5.4%
9. Merrill Lynch Financial Asset Inc., CA23 B 2017/08/12	5.3%
10. Bank of America FRN 2016/06/01	4.7%
11. Merrill Lynch Financial Asset Inc., C22 D, 2017/05/12	4.6%
12. Merrill Lynch Financial Asset Inc., C21 D, 2017/01/12	4.3%
13. Bell Aliant Regional Communications L.P., 6.17%, 2037/02/26	4.2%
14. Schooner Trust 2007-8 E 2022/06/12	4.2%
15. Royal Bank of Scotland 10.50%, 2022/03/16	3.9%
16. Institutional Mortgage Securities Canada Inc., Tranche D 2021/02/12	3.7%
17. Institutional Mortgage Securities Canada Inc., C2012-2 E, 2022/07/12	3.6%
18. REALT 5.11495% D1 2015/10/12	3.5%
19. Schooner Trust 2007-8 D 2022/02/12	3.3%
20. Merrill Lynch Financial Asset Inc., C23 C 2017/08/12	3.1%
21. Schooner Trust 2007-7 E 2022/06/12	2.3%
22. Merrill Lynch Financial Asset Inc., C21 E 2017/01/12	2.0%
23. Cash	.0%
Total	**99.8%**

Results of Operations

For the year ended December 31, 2012, the net asset value of the Fund was $12.36 compared to $10.98 per unit at December 31, 2011.

In 2012 there were twelve distributions of $.0525 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, 2012 the Fund had an annual compound return of 18.89% net of fees of 1.25% (including HST) while the DEX Universe Bond Index had a return of 3.60%. Fees included operating costs. 2012 was a positive year for risk assets, corporate bonds in particular. Ridgewood took a tactical overweight position in corporate bonds to take advantage of the relative yield advantage. We believe the fund will continue to benefit from this exposure and yields will continue to drift down over the course of the year.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2012

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information for the years ended December 31 is derived from the Fund's audited annual financial statements.

Information for the year ended December 31, 2012 is derived from the Fund's annual audited financial statements. For December 31, 2012, the Net Assets included in the Net Assets per Unit table is from the Fund's audited financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purpose and calculated using closing prices. All other calculations for the purposes of this MRFP are made using Net Asset Value.

The Fund's Net Assets per Unit

Class A

Year	2012	2011	2010	2009 [1]
Net assets, beginning of year	$ 10.95	$ 12.01	$ 11.23	$ 12.00
Increase (decrease) from operations:				
Total revenue	0.84	0.82	0.83	0.02
Total expenses	(0.15)	(0.17)	(0.14)	(0.01)
Realized gains (losses)	0.53	(0.75)	0.39	-
Unrealized gains (losses)	0.79	(0.16)	0.43	(0.24)
Total increase (decrease) from operations [3]	2.01	(0.26)	1.51	(0.23)
Distributions:				
From income (excluding dividends)	(0.60)	(0.41)	(0.76)	-
From capital gains	-	-	(0.22)	-
From return of capital	(0.03)	(0.52)	-	-
Total annual distributions [4]	(0.63)	(0.93)	(0.98)	-
Net assets, end of year [2][5]	**$** 12.33	**$** 10.95	**$** 12.01	**$** 11.23

(1) *This information is derived from the Fund's audited annual financial statements. 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. 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]	**2012** [1]	**2011**	**2010**	**2009**
Net asset value (000's)	**$** 79,366	$ 77,712	$ 54,429	$ 47,321
Number of units outstanding	6,419,709	7,076,807	4,519,435	4,200,000
Management expense ratio [3]	1.25%	1.41%	1.17%	2.87%
Management expense ratio before waivers or absorptions [4]	1.25%	1.41%	1.17%	2.87%
Trading expense ratio [5]	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate [6]	95.68%	176.07%	132.47%	0.43%
Net asset value per unit, end of year	$ 12.36	$ 10.98	$ 12.04	$ 11.27

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2012

(1) *The information is provided for the year ended December 31, 2012*

(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, 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.*

(5) *Trading expense ratio is inclusive of performance fees.*

(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% (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

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

Past Performance

The past performance of the Fund is set out below and indicates year-by-year returns, overall past performance and annual compound returns.

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

- the 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.

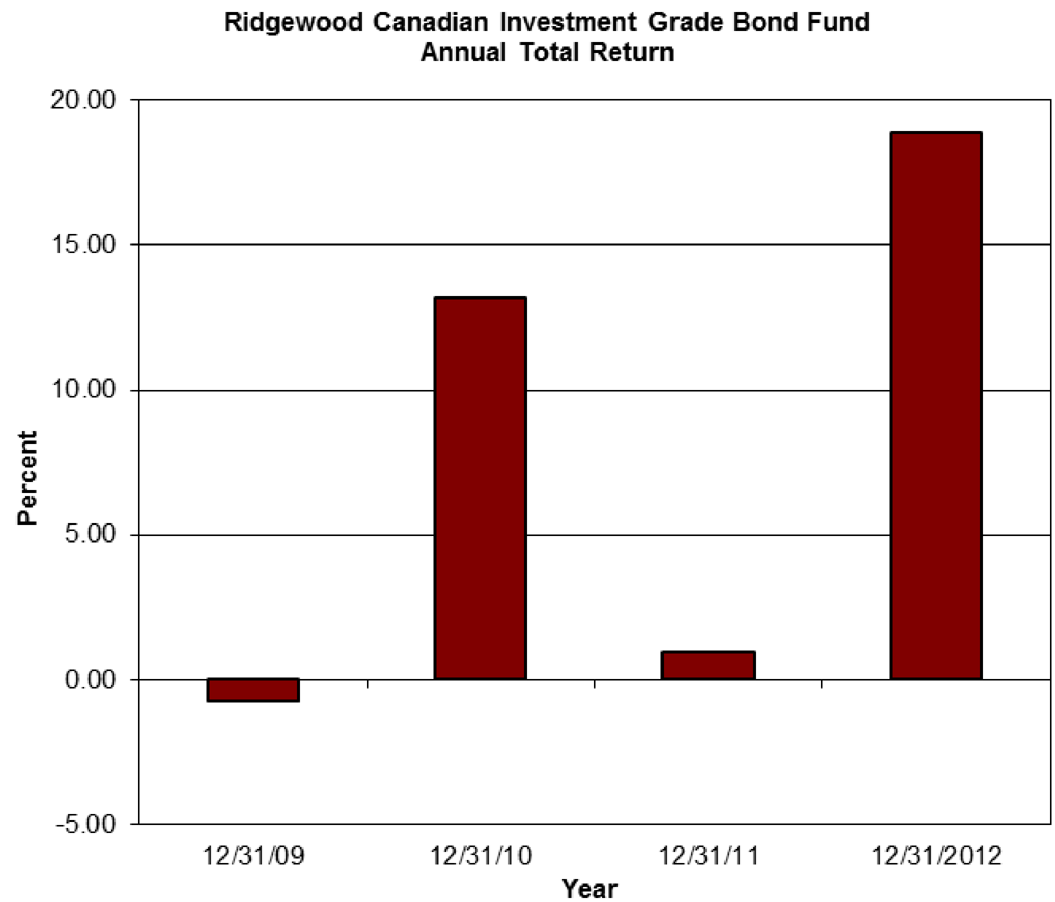
Year-By-Year Returns

The bar chart illustrates how the Fund’s annual total return in each of the past two years has varied. The chart also shows, in percentage terms, how much an investment made on December 18, 2009 and January 1, 2010 would have changed by the end of that fiscal year.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2012



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (net of fees of 1.25%, including HST) for the period from January 1, 2012 to December 31, 2012 as compared to the performance of the DEX Universe Bond Index during that same period.

	One Year	Three Years
Ridgewood Canadian Investment Grade Bond Fur	**18.89%**	10.75%
DEX Universe Bond Index *	**3.60%**	6.65%

* 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. The implementation of IFRS for investment funds has been delayed to January 1, 2014, with comparative financial statements for the year ending December 31, 2013.

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

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

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

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

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 27, 2013

Deloitte.

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Independent Auditor’s Report

To the Unitholders of
Ridgewood Canadian Investment Grade Bond Fund (the “Fund”)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2012, the statements of net assets as at December 31, 2012 and 2011 and the statements of financial operations, of changes in net assets, of gain (loss) on sale of investments and 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2012 and 2011, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

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

Ridgewood Canadian Investment Grade Bond Fund

Statements of net assets

As at December 31, 2012 and 2011

	2012	2011
Assets	**$**	$
Cash	1,976	1,286,745
Investments at fair value (cost 2012 - $83,000,347, 2011 - $95,804,118)	88,696,810	95,945,215
Accrued interest receivable	665,181	759,830
	89,363,967	97,991,790
Liabilities		
Accrued expenses	104,470	449,003
Distribution payable	337,035	-
Loan payable (Note 7)	1,630,305	20,048,219
Liabilities for securities redeemed	8,157,661	-
	10,229,471	20,497,222
Total net assets and securityholders' equity	**79,134,496**	**77,494,568**
Total net assets and securityholders' equity, Class A	79,134,496	77,494,568
Units outstanding, Class A (Note 4)	6,419,709	7,076,807
Net assets per unit, Class A (Note 9)	12.33	10.95

(See accompanying notes to 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 financial operations
For the Years Ended December 31, 2012 and 2011

	2012	2011
Revenue	**$**	$
Interest	5,955,610	4,294,767
Expenses		
Management fees (Note 5)	454,651	340,627
Interest and bank fees (Note 7)	320,591	222,013
Administration fees	169,664	175,416
Legal fees	27,999	59,813
Independent Review Committee fees	17,567	22,333
Securityholder reporting costs	16,769	33,171
Custodial fees	13,963	2,152
Audit fees	13,910	13,780
	1,035,114	869,305
Net investment income for the year	**4,920,496**	**3,425,462**
Realized and unrealized gain (loss) on investments		
Net realized gain (loss)	3,770,617	(3,908,223)
Change in unrealized gain (loss)	5,555,366	(848,812)
Net gain (loss) on investments	**9,325,983**	**(4,757,035)**
Increase (decrease) in net assets from operations	**14,246,479**	**(1,331,573)**
Increase (decrease) in net assets from operations, Class A	14,246,479	(1,331,573)
Increase (decrease) in net assets from operations per Unit, Class A (based on weighted average number of units outstanding during the year - 2012 - 7,075,012; 2011 - 5,231,252)	2.01	(0.26)

(See accompanying notes to financial statements)

Ridgewood Canadian Investment Grade Bond Fund

Statements of changes in net assets
For the Years Ended December 31, 2012 and 2011

	2012	2011
	$	$
Net assets, beginning of year	77,494,568	54,267,563
Increase (decrease) in net assets from operations	14,246,479	(1,331,573)
Capital transactions		
Issue Costs	(25,000)	(876,543)
Proceeds from the issuance of securities of the investment fund	-	30,384,440
Aggregate amounts paid on redemption of securities of the investment fund	(8,157,661)	(66,048)
Distributions:		
Net investment income	(4,185,275)	(2,167,049)
Return of capital	(238,615)	(2,716,222)
Net assets at the end of the year	**79,134,496**	**77,494,568**

(See accompanying notes to financial statements)

Ridgewood Canadian Investment Grade Bond Fund

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

	2012	2011
	$	$
Proceeds from Sale of Investments	111,486,120	131,322,545
Cost of Investments Sold or Matured		
Cost of Investments Held at Beginning of Year	95,804,118	57,676,099
Purchases	94,911,732	173,358,787
	190,715,850	231,034,886
Cost of Investments Held at End of Year	83,000,347	95,804,118
	107,715,503	135,230,768
Net Realized Gain (Loss) on Sale of Investments	**3,770,617**	**(3,908,223)**

Ridgewood Canadian Investment Grade Bond Fund

Statements of cash flows
For the Years Ended December 31, 2012 and 2011

		2012		2011
Net inflow (outflow) of cash related to the following activities				
Operating Activities				
Increase (decrease) in net assets from operations	$	14,246,479	$	(1,331,573)
Adjustments to reconcile to operating cash flows:				
Purchase of investments		(94,911,732)		(173,358,787)
Proceeds from investments sold		111,486,120		131,322,545
Net realized gain (loss) on sale of investments		3,770,617		(3,908,223)
Change in unrealized gain (loss) on investments		(5,555,366)		848,812
		21,494,884		(38,610,780)
Net change in non-cash operating working capital				
Change in accrued interest receivable		94,649		(463,762)
Change in accrued expenses		(344,533)		402,281
Cash flows used in operating activities		21,245,000		(38,672,261)
Financing activities				
Proceeds from issuance of units		-		30,384,440
Issue costs paid		(25,000)		(876,543)
Amount paid for securities redeemed		-		(4,499,147)
Distribution of net investment income		(3,848,240)		(2,167,049)
Distribution of return of capital		(238,615)		(2,716,222)
Change in loan payable		(18,417,914)		19,293,232
Cash flows from financing activities		(22,529,769)		39,418,711
Increase (decrease) in cash		(1,284,769)		746,450
Cash, beginning of year		1,286,745		540,295
Cash, end of year	$	1,976	$	1,286,745
Supplemental information				
Interest paid		320,591		222,013
Tax paid		-		-

Ridgewood Canadian Investment Grade Bond
Statement of Investment Portfolio
As at December 31, 2012

Par Value	Security	Average Cost	Fair Value	% of net assets
		$	$	
	Canadian Bonds			
	Asset-Backed Securities			
3,100,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2011-1', Callable, 5.28%, 2021/02/12	2,899,833	3,264,602	
6,000,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2012-2', Variable Rate, Callable, 4.64%, 2022/07/12	5,434,200	5,436,774	
3,603,000	Institutional Mortgage Securities Canada Inc., Class 'E', Series '2012-2', Variable Rate, Callable, 4.64%, 2022/07/12	3,177,197	3,181,694	
4,676,000	Merrill Lynch Financial Asset Inc., Class 'B', Series '2007-CDA23', Variable Rate, 5.73%, 2017/08/12	3,619,692	4,680,676	
2,805,000	Merrill Lynch Financial Asset Inc., Class 'C', Series '2007-CA23', Callable, 5.73%, 2017/08/12	2,893,301	2,787,609	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D1', Series '2007-CA23', Callable, 5.73%, 2017/08/12	4,726,750	4,802,500	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2006-CA19', Callable, 5.44%, 2039/06/12	4,577,500	4,840,000	
4,111,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA21', Variable Rate, 5.22%, 2040/01/12	3,821,380	3,868,451	
1,870,000	Merrill Lynch Financial Asset Inc., Class 'E', Series '2007-CA21', Variable Rate, 5.22%, 2040/01/12	1,732,555	1,766,215	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA22', Variable Rate, Callable, 5.22%, 2049/03/12	3,938,000	4,087,500	
3,155,000	Real Estate Asset Liquidity Trust, Class 'D1', Series '2005-2', Variable Rate, Callable, 5.11%, 2015/10/12*	2,987,244	3,137,839	
2,137,860	Schooner Trust, Class 'E', Series '2007-7', Variable Rate, 5.19%, 2017/02/12	2,066,199	2,066,199	
3,886,087	Schooner Trust, Class 'E', Series '2007-8', Variable Rate, Callable, 5.24%, 2017/06/12	3,754,115	3,753,960	
3,000,000	Schooner Trust, Class 'D', Series '2007-8', Floating Rate, Callable, 5.24%, 2022/06/12	2,931,800	2,970,600	
		48,559,766	50,644,619	64.00%
	Corporate Bonds			
3,700,000	Bell Aliant Regional Communications L.P., Callable, 6.17%, 2037/02/26*	3,720,849	3,765,059	
5,000,000	Equitable Group Inc., 5.40%, 2017/10/23*	5,000,000	5,017,299	
5,000,000	Fairfax Financial Holdings Ltd., 5.84%, 2022/10/14*	5,110,880	5,219,122	
		13,831,729	14,001,480	17.69%
	Total Canadian Bonds and ABS	62,391,495	64,646,099	81.69%
	U.S. Bonds			
	Corporate Bonds			
4,500,000	Bank of America Corp., Variable Rate, Callable, 1.82%, 2016/06/01*	3,577,500	4,162,500	
6,000,000	Citigroup Inc., Variable Rate, Callable, 5.16%, 2027/05/24*	5,031,640	5,922,376	
5,000,000	Citigroup Inc., 5.37%, 2036/03/06*	4,060,862	4,831,535	
		12,670,002	14,916,411	18.85%
	TOTAL U.S. Bonds	12,670,002	14,916,411	18.85%
	Global Bonds			
	Corporate Bonds			
5,000,000	Lloyds TSB Bank PLC, Callable, 10.12%, 2021/12/16	4,783,850	5,639,300	
3,000,000	Royal Bank of Scotland PLC (The), Callable, Variable Rate, 10.50%, 2022/03/16*	3,155,000	3,495,000	
		7,938,850	9,134,300	11.54%
	Total Global Bonds	7,938,850	9,134,300	11.54%
	Total Investment Portfolio	**83,000,347**	**88,696,810**	112.08%
	Cash and other assets, net of liabilities		(9,562,314)	-12.08%
	Net assets at fair value		**79,134,496**	100.00%

* These securities are held as collateral with Scotiabank for the loan payable or margin account (Note 7)

(See accompanying notes to 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 and a public offering in a prospectus dated November 27, 2009. Ridgewood Capital Asset Management Inc. 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 and distributor of units of the Fund. CIBC Mellon Trust Company is the custodian, transfer agent and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The Fund commenced operations on December 18, 2009.

2. INVESTMENT OBJECTIVE OF THE FUND

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Capital Disclosures

The Fund's objectives, policies and processes for managing capital are described in Note 2. Information on the Fund's shareholders' equity is described in Note 4 and Note 6. The fund does not have any externally imposed capital requirements other than disclosed in Note 7.

Valuation of Investments

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

The difference between the Net Asset Value and the Net Assets calculated using bid prices as described above is disclosed in Note 9.

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 market values from securities dealers. If no bid prices are available, the securities are valued at the closing price.

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

Cash is comprised of cash on deposit.

Income recognition

Interest income is recognized on an accrual basis.

Financial Instruments - Disclosures

The Fund complies with CICA Handbook Section 3862, "Financial Instruments – Disclosures" which requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

Section 3862 of the CICA Handbook Section, "Financial Instruments – Disclosures", establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

Please see Note 11 for these disclosures.

4. UNITHOLDERS' EQUITY

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

Following are the unit transactions during the year:

December 31, 2012

	2012
Units outstanding,	
Beginning of year	7,076,807
Units redeemed	(657,098)
Units outstanding, end of year	6,419,709

December 31, 2011

	2011
Units outstanding,	
Beginning of year	4,519,435
Units issued for cash	2,563,438
Units redeemed	(6,066)
Units outstanding, end of year	7,076,807

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% (excluding GST) 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.

6. DISTRIBUTIONS

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

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

7. LOAN PAYABLE

The Fund has a margin account held at Scotiabank which requires collateral against loans (see Statement of Investments). The Fund can borrow an amount up to 25% of the total assets of the Fund. Total interest and bank fees on the account were $320,591 for the year (2011 - $222,013). The account is charged interest based on Bloomberg Ticker Reference plus 70bps on debit spread or minus 25 bps on credit spread. As at December 31, 2012 the balance of the account was $1,630,305 (2011 - $20,048,219). During the year the maximum amount borrowed was $30,160,008 (2011 - $32,579,177) and the minimum amount borrowed was $1,630,305 (2011-$754,987). If interest rates had increased/decreased by 100 basis points interest expensed would have changed by approximately $188,683 (2011 - $200,482).

8. 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, 2012 taxation year-end, there are $137,606 (2011 - $3,824,873) capital losses and no non-capital losses are available for carryforward.

9. NET ASSET VALUE AND NET ASSETS

As per NI81-106, Net Asset Value of the Fund is calculated based on the fair value of investments, using the close or last trade price ("Net Asset Value"). The Net Assets per unit for financial reporting purposes are based on the bid prices. The Net Asset Value and Net Assets per unit at December 31, 2012 and December 31, 2011 are as follows:

December 31, 2012	
Net Asset Value	$12.36
Difference	(0.03)
Net Assets	$12.33

December 31, 2011	
Net Asset Value	$10.98
Difference	(0.03)
Net Assets	$10.95

10. 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 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.
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, 2012:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	$	$	$
Interest Rate Exposure	1,630,305	-	-

		1-3 years	3-5 years	More than 5 years
Investments		$	$	$
Interest Rate Exposure	$	3,137,839	23,516,783	62,042,188

	Non Interest bearing	Total
	$	$
Interest Rate Exposure	-	**88,696,810**

As at December 31, 2011:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	$	$	$
Interest Rate Exposure	20,048,219	-	-

	1-3 years	3-5 years	More than 5 years
Investments	$	$	$
Interest Rate Exposure	-	10,601,361	85,343,854

	Non Interest bearing	Total
	$	$
Interest Rate Exposure	-	**95,945,215**

At December 31, 2012, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the year would amount to approximately $4.4 million (2011 - $5.8 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 $4.4 million (2011 - $5.8 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 BBB/Baa 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, 2012

Rating	As a % of Net Assets
AAA/Aaa	-
AA/Aa	5.91%
A/A	3.52%
BBB/Baa	102.65%
Total	112.08%

Portfolio by rating category
December 31, 2011

Rating	As a % of Net Assets
AAA/Aaa	9.43%
AA/Aa	6.04%
A/A	36.90%
BBB/Baa	71.44%
Total	123.81%

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's transactions and holdings are all in Canadian dollars, including U.S. and global bond holdings.

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.

11. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's financial assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy described in Note 3. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2012 and December 31, 2011.

Financial Assets at fair value as of December 31, 2012

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Bonds	-	38,052,191	-	38,052,191
Asset-backed securities	-	50,644,619	-	50,644,619
Cash	1,976	-	-	1,976
Loan payable	-	(1,630,305)	-	(1,630,305)
Total	1,976	87,066,505	-	87,068,481

Financial Assets at fair value as of December 31, 2011

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Bonds	-	72,887,444	-	72,887,444
Asset-backed securities	-	23,057,771	-	23,057,771
Cash	1,286,745	-	-	1,286,745
Loan payable	-	(20,048,219)	-	(20,048,219)
Total	1,286,745	75,896,996	-	77,183,741

12. FUTURE ACCOUNTING POLICY CHANGES

Transition to International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers.

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

The major changes identified for IFRS financial statements include the addition of a Statement of cash flows and the classification of unitholders' equity (puttable instruments) as a liability within the statement of net asset's, unless certain conditions are met.

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Investment Grade Bond Fund

Head Office:
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