ridgewood
CAPITAL ASSET MANAGEMENT

Ridgewood Tactical Yield Fund

Interim Financial Report (Unaudited)
For the six months ended June 30, 2013

Ridgewood Tactical Yield Fund

Interim Financial Report (Unaudited)

Message to Unitholders

Capital markets in the first half of 2013 can be characterized as a gradual return to normal. Equity markets, with the U.S. in particular have performed well, generating positive returns for investors. Corporate bonds perform well in this environment as balance sheets are strengthened given the higher cash flows. Companies also use this opportunity to refinance debt and build reserves. For investors, this provides an opportunity to add portfolio positions that are more attractive and liquid. The yield curve shifted upwards as investors began to shift assets out of Government bonds, into corporate bonds and equities.

Equities and lower rated corporate bonds performed the best on both a relative and absolute basis. Government bonds were one of the worst performers as there is very little margin of safety at current coupon levels. A modest 50 basis point increase in interest rates in a mid-term bond will wipe out the income for a full year. Corporate bonds with a higher yielding coupon will cushion investors to a degree from this effect.

The Bank of Canada has been on hold in regard to interest rates this year and has recently stated that it is likely to remain on hold given the low growth disinflationary environment. China has begun to transition from a major infrastructure build out to an internal growth economy and we are uncertain what impact it will have on global growth. The U.S. economy has been showing signs of strength lately and the Canadian market which is closely linked, should begin to feel the effects very soon. The Canadian dollar has weakened because of declining demand for commodities but longer term this will be a positive for our manufactures and exports.

It appears that the global economy is on track for positive growth in the second half of 2013, albeit in a low inflationary environment. We will be fully invested in our bond portfolios. We prefer bonds with mid-term maturities given the steepness of the yield curve and the fact that overnight interest rates will not rise for the foreseeable future. Corporate bonds represent good value and will continue to be one of the top performing sectors.

June 30, 2013

UNAUDITED SEMI-ANNUAL REPORT STATEMENT

The accompanying financial statements have not been reviewed by the external auditors of the Fund. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

Management's Responsibility for Financial Reporting

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

Ridgewood Tactical Yield Fund

Statements of net assets

As at June 30, 2013 (Unaudited) and December 31, 2012

	2013 $	2012 $
Assets		
Investments at fair value (cost 2013 - $51,125,914, cost 2012 - $32,603,189)	**50,812,785**	33,899,780
Short-term investments at fair value (cost 2013 - $2,424,598, cost 2012 - $1,658,812)	**2,424,933**	1,659,402
Cash	**41,160**	14,474
Accrued interest and dividend receivable	**610,430**	381,660
Prepaid fees	**2,360**	1,336
Subscriptions receivable	**22,320**	20,000
	53,913,988	35,976,652
Liabilities		
Accrued liabilities	**42,211**	63,563
Due to Brokers	**1,500,000**	-
Distributions Payable	**236,691**	159,062
Redemptions payable	**47,600**	3,000
	1,826,502	225,625
Net assets, represented by unitholders' equity	**52,087,486**	35,751,027
Number of units outstanding (Note 4)	**5,917,271**	3,976,553
Net assets per unit	**8.8026**	8.9905

On behalf of the Manager,
Ridgewood Capital Asset Management Inc.

Director
John H. Simpson, CFA

Director
Paul W. Meyer, CFA

Statements of financial operations

For the six months ended June 30, 2013 and 2012 (Unaudited)

	2013 $	2012 $
Revenue		
Interest	**1,208,832**	737,258
Dividend	**87,062**	22,678
	1,295,894	759,936
Expenses (Note 5)		
Management fees	**220,345**	68,346
Administrative and other expenses	**32,215**	25,227
Custodian fees	**23,706**	22,124
HST expense	**33,670**	16,165
Independent Review Committee fees	**9,781**	11,469
Audit fees	**7,855**	7,273
Legal fees	**3,201**	13,192
	330,773	163,796
Net investment income	**965,121**	596,140
Gain (Loss) on sale of investments	**608,544**	(27,012)
Transaction Costs	**(20,336)**	(7,261)
Change in unrealized (depreciation) appreciation of investments	**(1,609,976)**	131,018
Net (Loss) Gain on investments	**(1,021,768)**	96,745
(Decrease) Increase in net assets from operations	**(56,647)**	692,885
(Decrease) Increase in net assets from operations per unit (based on weighted average number of units outstanding during the year or period - 5,140,787 ; 2012 - 2,426,863)	**(0.0110)**	0.2855

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

Ridgewood Tactical Yield Fund

Statements of changes in net assets

For the six months ended June 30, 2013 and 2012 (Unaudited)

	2013 $	2012 $
Net assets, beginning of period	**35,751,027**	13,993,391
Unit Transactions (Note 4)		
Proceeds from units issued	**18,170,651**	14,599,673
Amount paid for units redeemed	**(1,616,597)**	(2,711,606)
Reinvestment of distributions	**1,101,660**	710,032
	17,655,714	12,598,099
(Decrease) Increase in net assets from operations	**(56,647)**	692,885
Distributions to unitholders (Note 6)		
From net investment income	**(1,262,608)**	(865,883)
	(1,262,608)	(865,883)
Changes in net assets during the period	**16,336,459**	12,425,101
Net assets, end of period	**52,087,486**	26,418,492

Statements of gain (loss) on sale of investments

For the six months ended June 30, 2013 and 2012 (Unaudited)

	2013 $	2012 $
Proceeds from sale of investments	**21,482,048**	7,803,917
Cost of investments sold		
Cost of investments, beginning of period	**32,603,189**	14,065,698
Cost of investments purchased	**39,396,229**	20,149,307
	71,999,418	34,215,005
Cost of investments, end of period	**(51,125,914)**	(26,384,076)
	20,873,504	7,830,929
Loss on sale of investments	**608,544**	(27,012)

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

Ridgewood Tactical Yield Fund
Statement of investments
As at June 30, 2013

Par Value		Average Cost $	Fair Value $	% of Portfolio
Short-term Investments				
Treasury Bills				
2435000	Canadian Treasury Bill, 1.031%, November 21, 2013	2,424,598	2,424,933	**4.55%**
Investments				
Corporate Bonds				
2000000	Allied Nevada Gold Corp., 8.750%, June 01, 2019	1,929,205	1,720,000	
1000000	Bank of America Corp., FRN, 5.200%, December 29, 2049	1,003,152	991,655	
1150000	Baytex Energy Corp., 6.625%, July 19, 2022	1,202,500	1,205,583	
1500000	Canadian Energy Services & Technology Corp., 7.375%, April 17, 2020	1,500,000	1,507,596	
500000	Capital Power LP, 5.276%, November 16, 2020	535,500	514,094	
1000000	Cara Operations Ltd., 9.125%, December 1,2015	1,038,279	1,025,625	
2000000	Centric Health Corp., 8.625%, April 18, 2018	2,000,000	1,886,667	
2000000	Citigroup Inc., FRN, 5.160%, May 24,2027	1,885,718	1,935,090	
1000000	Corus Entertainment Inc., 4.250%, February 11, 2020	992,500	965,044	
2000000	Fairfax Financial Holdings Ltd., 5.840%, October 14, 2022	2,098,580	2,064,718	
900000	Garda World Security Corp., 9.750%, March 15, 2017	938,411	944,320	
2000000	Golf Town Canada Inc., 10.500%, July 24, 2018	2,016,875	2,026,840	
850000	Great Canadian Gaming Corp., 6.625%, July 25, 2022	866,625	869,289	
500000	Kruger Products LP, 8.000%, August 9,2018	500,000	535,000	
1300000	Lloyds TSB Bank PLC, 10.125%, December 16,2021	1,284,500	1,475,500	
2600000	Mattamy Group Corp., 6.875%, November 15, 2020	2,610,500	2,561,000	
1900000	Merrill Lynch & Co., Inc., FRN, 5.290%, May 30,2022	1,768,660	1,925,116	
1400000	Royal Bank of Scotland PLC, FRN, 10.500%, March 16, 2022	1,465,333	1,547,000	
1300000	RTL-Westcan LP, 9.500%, April 07, 2017	1,353,913	1,353,998	
1300000	Russel Metals Inc., 6.000%, April 19, 2022	1,300,750	1,312,188	
1000000	Sherritt International Corp., 7.500%, September 24, 2020	1,000,000	993,323	
2500000	The Goldman Sachs Group Inc., FRN, 5.200%, April 19,2022	2,480,683	2,535,300	
1000000	Videotron Ltd., 5.625%, June 15, 2025	1,000,000	954,735	
1500000	Western Energy Services Corp., 7.875%, January 30, 2019	1,556,750	1,527,188	
Total Corporate Bonds		**34,328,434**	**34,376,869**	**64.58%**
Equities				
173250	Dundee Industrial Real Estate Investment Trust	1,779,844	1,567,913	
110000	Dundee International Real Estate Investment Trust	1,180,388	1,079,100	
93442	Artis Real Estate Investment Trust	1,522,652	1,401,630	
93700	Chartwell Retirement Residences	1,000,459	913,575	
114547	Leisureworld Senior Care Corp., ADR	1,420,383	1,400,910	
150000	Choice Properties REIT	1,500,000	1,500,000	
70000	First Capital Realty Inc.	1,324,976	1,245,300	
104222	Leisureworld Senior Care Corp.	1,272,332	1,280,888	
Total Equities		**11,001,034**	**10,389,316**	**19.51%**
Mortgage Backed Securities				
1000000	Institutional Mortgage Securities Canada Inc., 4.641%, July 12, 2045	897,500	940,400	
1000000	Merrill Lynch Financial Assets Inc., 5.436%, June 12, 2039	971,000	977,500	
1000000	Merrill Lynch Financial Assets Inc., 5.215%, January 12, 2040	929,550	967,500	
1000000	Merrill Lynch Financial Assets Inc., 5.734%, May 12, 2044	946,300	971,100	
1400000	Merrill Lynch Financial Assets Inc., 5.219%, March 12, 2049	1,101,600	1,191,400	
1000000	Schooner Trust, 5.242%, June 12, 2022	966,770	998,700	
Total Mortgage Backed Securities		**5,812,720**	**6,046,600**	**11.36%**
Investments		**51,142,188**	**50,812,785**	**95.45%**
Transaction costs		**(16,274)**	**-**	
		51,125,914	**50,812,785**	**95.45%**
Total Investments and short-term investments		**53,550,512**	**53,237,718**	**100.00%**

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

1. Establishment of the Fund

Ridgewood Tactical Yield Fund (the "Fund") is an open-end mutual fund trust existing under the laws of Ontario pursuant to an amended and restated Master Declaration of Trust dated September 1, 2008, executed by Ridgewood Capital Asset Management Inc. ("Ridgewood" or the "Manager") in its separate capacities as manager and trustee of the Fund, and a Fund Declaration dated March 31, 2011, as amended on September 1, 2008. The Fund began operations on March 31, 2011.

Ridgewood is also the investment manager and distributor of units of the Fund. RBC Investor Services Trust is the custodian, transfer agent and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund.

2. Investment objective of the Fund

The investment objective of the Fund is to achieve a high level of income and capital gains from an actively managed portfolio. The Fund is invested primarily in securities of Canadian issuers, including preferred shares, investment grade bonds, convertible bonds, real estate investment trusts ("REITs") and high yield bonds. The Fund may also invest in comparable securities of foreign issuers. Assets of the Fund may also be held in interest-bearing accounts at a bank or trust company, including the custodian, invested in guaranteed investment certificates or invested in Canadian short-term debt obligations.

3. Summary of significant accounting policies

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

Capital Disclosures

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

Valuation of Investments

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

The difference between the Net Asset Value and the Net Assets calculated using bid prices as described above is disclosed in Note 8.

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

Securities are valued at fair value, which is determined by the closing bid price on the recognized stock exchange on which the securities are listed or principally traded. If no bid prices are available, the securities are valued at the closing price.

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

Cash is comprised of cash on deposit.

3. Summary of significant accounting policies (continued)

Income Recognition

Interest income is recognized on an accrual basis.

Financial Instruments - Disclosures

CICA Handbook Section 3862, "Financial Instruments – Disclosures" requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements. Accrued receivables, subscriptions receivables and accrued liabilities are recorded at cost, which given their short term nature approximates fair value.

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

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

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

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

Please see Note 11 for these disclosures.

4. Unitholders' equity

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

Following are the unit transactions for the period from January 1, 2013 to June 30, 2013 and for the year from January 1, 2012 to December 31, 2012:

	2013	2012
Units outstanding, beginning of year (period)	**3,976,553**	1,590,198
Units issued for cash	**1,997,053**	2,600,808
Units redeemed	**(177,411)**	(397,601)
Units issued on reinvestment of distributions	**121,076**	183,148
Units outstanding, end of year (period)	**5,917,271**	3,976,553

5. Management fees and expenses

Ridgewood is entitled to an annual management fee payable out of the assets of the Fund. The maximum management fee is equal to 1.25% (excluding HST) of the weighted average net asset value of the Fund less ordinary expenses of the Fund (the "Maximum Ordinary Expenses"). The Maximum Ordinary Expenses acts as a cap on the management fee and ordinary expenses of the Fund.

Ordinary expenses are paid out of the assets of the Fund and include all normal day-to-day operating expenses of the Fund, including custodian, legal, accounting, audit and regulatory filing fees. Ordinary expenses do not include commissions, brokerage fees and other fees and disbursements directly relating to trading transactions, any taxes payable by the Fund, any interest expense and any expenses incurred in respect of matters not in the normal course of the Fund's day-to-day activities, all of which are the responsibility of the Fund. If the total ordinary expenses are greater than the Maximum Ordinary Expenses, Ridgewood will reimburse the Fund the amount of such excess.

6. Distributions

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

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

7 Income taxes

The Fund qualifies as a "mutual fund trust" under the Income Tax Act (Canada). The Fund uses the "capital gains refund mechanism" which allows a mutual fund trust to retain some capital gains without paying any tax thereon. As a result, the Fund may not distribute all its net capital gains. The net income and net capital gains of the Fund that would otherwise be taxable in the Fund are either paid or payable to unitholders in each calendar year. Accordingly, no income tax is paid or payable by the Fund. Such income is taxable in the hands of the unitholders.

As at December 31, 2012, capital losses of $2,274,906 (2011 - $1,274,626) are available for utilization against realized gains on sales of investments in future years. The capital losses can be carried forward indefinitely. The Fund has no non-capital losses.

8. Net asset value and net assets

As per NI 81-106, the Net Asset Value of the Fund is calculated based on the fair value of investments, using the close or last trade price ("Net Asset Value"). The Net Assets per unit for financial reporting purposes are based on the bid pricing and Net Asset Value per unit due to the use of different valuation techniques. The Net Asset Value and Net Assets per unit at June 30, 2013 and December 31, 2012 is as follows:

	June 30, 2013	**December 31, 2012**
	$	**$**
Net Asset Value	**8.83**	9.02
Net Assets	**8.80**	8.99

9. Financial instruments and risk management

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

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

Interest Rate Risk

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

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

As at June 30, 2013

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 3 years	3-5 years	More than 5 years	Non interest bearing	Total
	$	$	$	$	$	$	$	$
Interest Rate Exposure	**41,160**	**-**	**2,424,933**	**1,025,625**	**4,184,985**	**35,212,859**	**10,389,316**	**53,278,878**

As at December 31, 2012

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 3 years	3-5 years	More than 5 years	Non interest bearing	Total
	$	$	$	$	$	$	$	$
Interest Rate Exposure	-	-	1,659,402	2,095,483	3,283,267	21,465,333	7,055,697	35,559,182

At June 30, 2013, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the period would amount to approximately $2.5 million (December 31, 2012 - $1.4 million) arising substantially from the increase in market values of debt securities, with a small portion affecting interest rate futures. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets would amount to approximately $2.5 million (December 31, 2012 - $1.4 million).

Credit Risk

Financial instruments that potentially subject the Fund to a concentration of a credit risk consist primarily of cash and investments. The Fund limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with high quality government and financial institutions. To maximize the credit quality of its investments, the Fund's 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 and B/B rated securities.

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

9. **Financial instruments and risk management**

Credit risk (continued)

Portfolio by rating category

Rating	June 30, 2013 As a % of Net Assets
AAA/Aaa	4.66%
A/A	1.88%
BBB/Baa	32.76%
BB/Ba	18.98%
B/B	22.96%
Unrated	0.00%
Total	81.24%

Portfolio by rating category

Rating	December 31, 2012 As a % of Net Assets
AAA/Aaa	4.64%
BBB/Baa	40.67%
BB/Ba	15.27%
B/B	14.70%
Unrated	4.45%
Total	79.73%

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 dollar, so there is no currency risk.

Liquidity Risk

Liquidity risk is the risk that a Fund will encounter difficulty in meeting obligations associated with its daily cash redemption of units. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and which can be readily disposed of and by retaining sufficient cash and cash equivalent positions.

The Fund's short-term investments of approximately $2.4 million (December 2012, $1.6 million) are invested in Canadian Government treasury bills with less than 120 days to maturity. The Fund's accrued liabilities are generally due and paid within three months.

10. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's financial assets 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 June 30, 2013 and December 31, 2012.

				Financial assets at fair value As of June 30, 2013
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	41,160	-	-	41,160
Short Term Investments	-	2,424,933	-	2,424,933
Bonds	-	34,376,869	-	34,376,869
Mortgage Backed Securities (MBS)	-	6,046,600	-	6,046,600
Equities	10,389,316	-	-	10,389,316
	10,430,476	42,848,402	-	53,278,878

				Financial assets at fair value As of December 31, 2012
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	14,474	-	-	14,474
Short Term Investments	-	1,659,402	-	1,659,402
Bonds	-	19,939,193	-	19,939,193
Mortgage Backed Securities (MBS)	-	6,904,890	-	6,904,890
Equities	7,055,697	-	-	7,055,697
	7,070,171	28,503,485	-	35,573,656

11. 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.

Ridgewood Capital Asset Management Inc.
55 University Avenue, Suite 1020
Toronto, Ontario M5J 2H7

Tel: 416-842-0227 1-888-789-8957
Fax: 416-479-2750

e-mail: contact@ridgewoodcapital.ca
www.ridgewoodcapital.ca