



Ridgewood Tactical Yield Fund

**Interim Financial Report (Unaudited)
For the six months ended June 30, 2018**

Ridgewood Tactical Yield Fund

Interim Financial Report (Unaudited)

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Message to Unitholders

The first half of 2018 was modestly positive for bond investors. Returns across all sectors were positive as investors remain attracted to fixed income assets given the gradual rise in yields and volatility in the equity markets. Trade tensions, tariffs and NAFTA renegotiations have created some concern on the future impact to the global economy. For now, solid growth with stable inflation are an attractive backdrop for fixed income investors. Corporate bonds continue to perform well in this environment as they provide an additional yield over Government bonds.

Long term bonds performed the best, with returns almost double those of short term and quadruple mid term bonds, at 0.92%, 0.53% and 0.26% respectively. Mid term bonds, specifically the less risky Government and Corporate AAA bonds, were the weakest and only modestly higher for the first half of the year. The yield curve continues to flatten as short term rates rise in response to the central bank hikes, while the long end appears anchored around current levels.

Bank of Canada has raised rates twice this year, once in January and again in July, putting the overnight rate currently at 1.5%. The U.S. central bank also raised rates twice, in March and June. The U.S. economy is in its 10th year of growth, the longest in American postwar history. Both Canada and U.S. central banks are expected to raise rates again in the later half of 2018 as the economic expansion continues.

The demand for corporate bonds will remain robust and the fund is positioned to provide income and capital appreciation. We are comfortable remaining fully invested and overweight in corporate bonds.

Ridgewood Tactical Yield Fund

Interim Financial Report 2018 (Unaudited)

UNAUDITED INTERIM REPORT STATEMENT

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

Ridgewood Tactical Yield Fund

Management's Responsibility for Financial Reporting

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

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



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



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

August 17, 2018

Ridgewood Tactical Yield Fund
STATEMENTS OF FINANCIAL POSITION

As at June 30, 2018 (Unaudited) and December 31, 2017

	30-Jun-18	31-Dec-17
	\$	\$
Assets		
Financial assets at fair value through profit or loss (Cost: 30-Jun-18 - \$44,178,438; 31-Dec-17 - \$47,316,195)	44,189,764	47,336,423
Short-term investments at fair value (Cost: 30-Jun-18 - \$2,291,681; 31-Dec-17 - \$1,523,876)	2,291,681	1,523,876
Cash	-	134,788
Accrued interest receivable	268,552	379,656
Dividends receivable	32,626	25,680
Prepaid fees	1,639	2,167
Subscriptions receivable	234,100	37,000
Total Assets	47,018,362	49,439,590
Liabilities		
Current liabilities		
Bank overdraft	29,022	-
Accrued expenses	133,665	132,121
Distributions Payable	242,686	-
Due to Brokers	1,209,475	-
Redemptions payable	163,679	117,450
Total Liabilities (excluding net assets attributable to holders of redeemable units)	1,778,527	249,571
Net Assets attributable to holders of redeemable units	45,239,835	49,190,019
Number of Units Outstanding (Note 5)	4,853,717	5,276,532
Net assets attributable to holders of redeemable units per unit	9.3207	9.3224
	9.3207	

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



Director

John H. Simpson, CFA



Director

Paul W. Meyer, CFA

STATEMENTS OF COMPREHENSIVE INCOME

For the six month periods ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
	\$	\$
Income		
Interest income for distribution purposes	1,191,276	1,514,915
Dividend income	60,714	47,712
Foreign exchange gain (loss) on cash	(933)	(4,163)
Other changes in fair value on financial assets and liabilities at fair value through profit or loss		
Net realized gain (loss) on sale of investments	448,182	2,176,658
Net change in unrealized appreciation (depreciation) of investments	(4,449)	(420,405)
Total income	1,694,790	3,314,717
Expenses		
Management fees (Note 7)	156,497	256,861
Administrative and other expenses	68,403	111,353
Custodian fees	30,394	30,394
HST expense	35,567	49,397
Independent Review Committee fees	8,933	8,933
Audit fees	9,564	4,882
Legal fees	16,125	12,254
Withholding Taxes	10,072	1,291
Transaction Costs	11,567	14,677
Total operating expenses	347,122	490,042
Operating profit	1,347,668	2,824,675
Increase in net assets attributable to holders of redeemable units	1,347,668	2,824,675
Daily average number of units	4,625,404	6,433,729
Increase in net assets attributable to holders of redeemable units per unit	0.2910	0.4390

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

Ridgewood Tactical Yield Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six month periods ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
	\$	\$
Net Assets Attributable to Holders of Redeemable units at beginning of period	49,190,019	59,059,249
Distributions to redeemable unitholders		
From net investment income	(1,369,075)	(1,545,665)
From net capital gain	-	-
	(1,369,075)	(1,545,665)
Redeemable Unit Transactions (Note 5)		
Proceeds from units issued	9,946,525	12,981,205
Amount paid for units redeemed	(14,879,566)	(11,650,179)
Reinvestment of distributions	1,004,264	1,182,764
	(3,928,777)	2,513,790
Increase in net assets attributable to holders of redeemable units	1,347,668	2,824,675
Net Assets Attributable to Holders of Redeemable units at end of period	45,239,835	62,852,049

STATEMENTS OF CASH FLOWS

For the six month periods ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
	\$	\$
Cash provided by (used in) operating activities		
Net increase in net assets attributable to holders of redeemable units	1,347,668	2,824,675
Adjustments for		
Interest income on short-term notes	(6,445)	(5,509)
Foreign exchange loss on cash	933	4,163
Net realized (gain) on investments excluding foreign currency	(448,977)	(2,176,658)
Net change in unrealized depreciation on investments	5,244	420,405
Purchase of investments	(44,184,553)	(96,238,713)
Proceeds from sale of investments	47,002,018	91,533,919
Transaction costs	11,567	14,677
Decrease (increase) in accrued interest and dividends receivable	104,158	(19,686)
Decrease (increase) decrease in prepaid fees	528	(682)
Increase in accrued expenses	1,544	31,280
Increase in investment purchases payable	1,209,475	2,292,723
Net cash provided by (used in) operating activities	5,043,160	(1,319,406)
Cash provided by (used in) financing activities		
Subscriptions received in advance	(197,100)	(11,500)
Redemptions payable in advance	46,229	375,815
Distributions paid to holders of redeemable units, net of reinvested distributions	(122,125)	(99,116)
Proceeds from units issued	9,946,525	12,981,205
Payment for redemption of shares	(14,879,566)	(11,650,179)
Net cash (used in) provided by financing activities	(5,206,037)	1,596,225
(Decrease) increase in cash	(162,877)	276,819
Foreign exchange (loss) on cash	(933)	(4,163)
Cash, beginning of period	134,788	80,878
(Overdraft) cash, end of period	(29,022)	353,534
Interest received	1,302,380	1,504,020
Dividends received, net of withholding taxes	43,696	37,630

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

Ridgewood Tactical Yield Fund

Schedule of investments

As at June 30, 2018

Par Value	Average Cost	Fair Value	% of Portfolio
	\$	\$	
Short-term Investments			
Treasury Bills			
2305000 Canadian Treasury Bill, 1.386%, November 15, 2018	2,291,681	2,291,681	5.07%
Investments			
Federal Bonds			
1000000 Canadian Government Bond, 1.000%, June 01, 2027	908,260	906,699	2.00%
Provincial Bonds			
1000000 Province of Ontario, 2.900%, June 02, 2049	983,050	980,588	2.17%
Corporate Bonds			
1000000 AT&T Inc., 4.850%, May 25, 2047	992,970	990,892	
500000 Bank of America Corp., 6.250%, December 31, 2049	544,750	690,608	
2055000 Bombardier Inc., 7.350%, December 22, 2026	2,044,725	2,105,091	
1000000 Brookfield Asset Management Inc., 5.950%, June 14, 2035	1,101,500	1,185,060	
1000000 Brookfield Property Finance ULC, 4.346%, July 03, 2023	1,000,000	1,000,000	
2000000 Cameco Corp., 5.090%, November 14, 2042	1,822,840	1,865,971	
700000 CES Energy Solutions Corp., 6.375%, October 21, 2024	700,000	703,208	
1000000 Coast Capital Savings Credit Union, 5.000%, May 03, 2028	1,002,350	1,012,457	
2000000 Enbridge Inc., 5.375%, September 27, 2077	2,013,970	1,902,602	
1000000 Golf Town Canada Inc./ Golfsmith International Holdings Inc., 10.500%, July 24, 2018	890,481	303,919	
500000 Kruger Products LP, 6.000%, April 24, 2025	500,000	505,745	
1389000 Loblaw Cos. Ltd., 5.860%, June 18, 2043	1,622,421	1,629,188	
1000000 Mattamy Group Corp., 6.875%, December 15, 2023	1,360,483	1,339,911	
1000000 Mattamy Group Corp., 6.500%, October 01, 2025	1,011,667	999,583	
1000000 MCAP Commercial LP, 5.000%, December 14, 2022	1,000,000	994,108	
2100000 Medavie Inc., 6.000%, May 21, 2024	2,129,473	2,112,600	
1000000 NuVista Energy Ltd., 6.500%, March 02, 2023	1,000,000	1,008,958	
1000000 Ontario Power Generation Inc., 3.838%, June 22, 2048	1,000,000	1,009,280	
500000 Parkland Fuel Corp., 5.625%, May 09, 2025	500,000	503,021	
1000000 Russel Metals Inc., 6.000%, March 16, 2026	1,000,000	1,003,750	
1000000 Shaw Communications Inc., 6.750%, November 09, 2039	1,240,100	1,259,785	
1500000 Superior Plus LP, 5.125%, August 27, 2025	1,500,000	1,434,375	
1500000 Teranet Holdings LP, 5.754%, December 17, 2040	1,624,150	1,599,593	
500000 Teranet Holdings LP, 6.100%, June 17, 2041	550,975	555,831	
1909000 TransAlta Corp., 7.300%, October 22, 2029	1,746,464	2,095,178	
903988 Yellow Pages Digital & Media Solutions Ltd., 10.000%, November 01, 2022	885,908	923,273	
Total Corporate Bonds	30,785,227	30,733,987	67.94%
Equities			
15000 Allied Properties Real Estate Investment Trust	621,040	627,750	
140000 Automotive Properties Real Estate Investment Trust	1,418,102	1,461,600	
160888 Slate Retail REIT	2,080,890	2,069,020	
31000 Capital Power Corp., Preferred 5.75%, Series 9	775,000	786,470	
48900 Smart Real Estate Investment Trust	1,520,067	1,492,917	
Total Equities	6,415,099	6,437,757	14.23%
Mortgage Backed Securities			
750000 Institutional Mortgage Securities Canada Inc., E, 3.828%, March 12, 2025	660,465	647,250	
2000000 Institutional Mortgage Securities Canada Inc., D, 3.828%, March 12, 2025	1,816,100	1,798,000	
1000000 Institutional Mortgage Securities Canada Inc., 3.773%, October 12, 2026	836,370	841,340	
1000000 Institutional Mortgage Securities Canada Inc., 4.650%, July 12, 2045	897,500	957,803	
1013000 Real Estate Asset Liquidity Trust, 3.640%, May 12, 2051	876,367	886,340	
Total Mortgage Backed Securities	5,086,802	5,130,733	11.34%
Investments	44,178,438	44,189,764	97.68%
Transaction costs	(10,733)	-	
Total Investments and short-term Investments	44,167,705	44,189,764	97.68%
Cash and other assets, net of liabilities	46,459,386	46,481,445	102.75%
Net Assets		(1,241,610)	-2.75%
		45,239,835	100.00%

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

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. The Fund began operations on March 31, 2011. 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. RBC Investor & Treasury Services is the custodian, transfer agent, administrator and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The financial statements are authorized for issuance by Ridgewood Capital Asset Management Inc. on August 17, 2018

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. Basis of presentation and adoption of IFRS

These semi-annual financial statements have been prepared in compliance with International Accounting Standard ("IFRS") applicable to the preparation of financial statements and International Accounting Standards ("IAS") 34.

Interim Financial Reporting

These semi-annual financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss, which are presented at fair value. The accounting policies applied in these interim financial statements are based on IFRS issued and outstanding as of June 30, 2018.

4. Summary of significant accounting policies

Financial instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives, cash and other trade receivable and payables. All financial assets and liabilities are recognized in the Statement of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Funds have transferred substantially all risks and rewards of ownership.

IFRS 9 Financial Instruments ("IFRS 9")

On January 1, 2018, the Fund adopted IFRS 9 Financial Instruments ("IFRS 9") retrospectively. IFRS 9 requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Upon adoption of IFRS 9, the Fund's financial assets and liabilities previously classified as at fair value through profit or loss ("FVTPL") and amortized cost under IAS 39 "Financial Instruments: Recognition and Measurement", continued to be classified at FVTPL and amortized cost.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

a) Classification and Measurement

The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales.

Financial assets and financial liabilities at amortized cost

The financial assets and liabilities measured at amortized cost include loans payable, accrued interest receivable, cash, accrued expenses and distribution payable.

IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model ("ECL"), as the new impairment model for financial assets carried at amortized cost. The Fund's financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the trade receivables and high credit quality, this amendment has not had a material impact on the financial statements and these trade receivables are not considered impaired.

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.

Transaction costs

Transaction costs are expensed and are included in "transaction costs" in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The cost of investments for each security is determined on an average cost basis.

Capital Disclosures

The Fund's objectives, policies and processes for managing capital are described in Note 2. Information on the Funds' capital structure is described in Note 5 and 9. 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:

All exchange traded equities (and other securities) are valued using the last trade or closing price (where available) from the primary exchange. If no current closing price is available the average of bid price and ask price (mid-price) will be taken. If no current pricing is available the previous business day's price will be used.

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.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

4. Summary of significant accounting policies (continued)

Valuation of Investments (continued)

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

Cash is comprised of cash on deposit.

Investment Transactions and Income Recognition

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

Income Recognition

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

Financial Instruments - Disclosures

The 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.

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

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

a) Common stock

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

b) 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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

to valuation are generally observable and therefore the Fund's bonds and short-term investments have been classified as Level 2.

4. Summary of significant accounting policies (continued)

Financial Instruments – Disclosures (continued)

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 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.

b) Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments about whether or not the business of the Funds is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Funds' investments are classified as FVTPL.

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 and the number of redeemable units which may be issued is unlimited. The units of the Fund are fully paid when issued and are generally not transferable.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

Following are the unit transactions during the periods from January 1 to June 30, 2018 and January 1 to December 31, 2017:

5. Redeemable Units (continued)

	2018	2017
Units outstanding, beginning of period	5,276,532	6,330,921
Units issued for cash	1,069,457	2,789,872
Units redeemed	(1,600,675)	(4,178,727)
Reinvestment of distribution	108,403	334,466
Units outstanding, end of period	4,853,717	5,276,532

6. Related party transactions

The Fund's investment activities are managed by Ridgewood Capital Asset Management Inc.

Management fees

Under the terms of the Master Investment Agreement dated March 31, 2011, 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 1.25% (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 six month period ended June 30, 2018 amounted to \$156,497 (2017 - \$256,861).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the six month period ended June 30, 2018 was \$8,933 (June 30, 2017 - \$8,933).

7. 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 NAV 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.

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 other 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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

to the extent that any tax payable on net realized capital gains retained by the Fund would be immediately refundable to it.

9. Distributions (continued)

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. 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, 2017, the Fund had capital losses of \$883,387 (2016 - \$855,140) 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.

11. 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 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 repricing or maturity dates.

As at June 30, 2018								
	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	274,898	-	2,291,681	-	2,926,339	34,521,748	6,437,757	46,452,423

As at December 31, 2017								
	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	134,788	-	1,827,795	-	6,072,449	35,586,591	5,373,464	48,995,087

At June 30, 2018, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets attributable to holders of redeemable units for the period would amount to

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

approximately \$3.6 million (December 31, 2017 - \$3.4 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 attributable to holders of redeemable units would amount to approximately \$3.6 million (December 31, 2017 - \$3.4 million).

11. Financial instruments and risk management (continued)

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 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.

Portfolio by rating category

Rating	June 30, 2018
	As a % of Net Assets
AAA/Aaa	7.07%
AA/Aa	2.17%
A/A	4.85%
BBB/Baa	45.82%
BB/Ba	14.53%
B/B	10.48%
Unrated	5.34%
Total	90.26%

Portfolio by rating category

Rating	December 31, 2017
	As a % of Net Assets
AAA/Aaa	5.10%
AA/Aa	1.94%
A/A	2.39%
BBB/Baa	46.05%
BB/Ba	16.64%
B/B	12.95%
Unrated	4.96%
Total	90.03%

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. As at June 30, 2018, the Fund held \$2,057,962 (December 31, 2017 - \$3,392,408) in assets and liabilities denominated in currencies other than the Canadian dollar. As at June 30, 2018, 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 \$102,898 (December 31, 2017 - \$169,620).

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

11. Financial instruments and risk management (continued)

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 \$ 2.3 million (December 31, 2017, \$1.5 million) are invested in Canadian Government treasury bills with less than 150 days to maturity. The Fund's accrued liabilities are generally due and paid within three months.

Financial Liabilities	On Demand	< 3 Months	Total
Bank overdraft	\$ -	\$ 29,022	\$ 29,022
Redemptions payable	-	163,679	163,679
Accrued expenses	-	133,665	133,665
Due to brokers	-	1,209,475	1,209,475
Distributions Payable	-	242,686	242,686
Net Assets attributable to holders of redeemable units	45,239,835	-	45,239,835
Total Liabilities	\$ 45,239,835	\$ 1,778,527	\$ 47,018,362

December 31, 2017			
Financial Liabilities	On Demand	< 3 Months	Total
Bank overdraft	\$ -	\$ -	\$ -
Redemptions payable	-	117,450	117,450
Accrued expenses	-	132,121	132,121
Due to brokers	-	-	-
Distributions Payable	-	-	-
Net Assets attributable to holders of redeemable units	49,190,019	-	49,190,019
Total Liabilities	\$ 49,190,019	\$ 249,571	\$ 49,439,590

Concentration risk

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

Market segments	June 30, 2018	December 31, 2017
Canadian Short Term Investments	5.07%	3.10%
Federal Bonds	2.00%	2.00%
Provincial Bonds	2.17%	1.94%
Corporate Bonds	67.94%	73.44%
Mortgage Backed Securities	11.34%	7.93%
Equities	14.23%	10.93%
Total	102.75%	99.34%

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2018 (Unaudited)

12. Financial Instruments

Fair Value Disclosure

The Fund's financial assets recorded at fair value have been categorized based upon a fair value hierarchy described in Note 4. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017.

Financial assets at fair value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	-	-	-	-
Short Term Investments	-	2,291,681	-	2,291,681
Bonds	-	32,317,355	303,919	32,621,274
Mortgage Backed Securities (MBS)	-	5,130,733	-	5,130,733

Financial assets at fair value as of December 31, 2017				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	134,788	-	-	134,788
Short Term Investments	-	1,523,876	-	1,523,876
Bonds	-	37,756,078	303,919	38,059,997
Mortgage Backed Securities (MBS)	-	3,902,962	-	3,902,962
Equities	5,373,464	-	-	5,373,464
	5,508,252	43,182,916	303,919	48,995,087

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period ended June 30, 2018 and year ended December 31, 2017.

The following is a reconciliation of Level 3 fair value assets as at June 30, 2018. The potential impact of a 5% change in value would have increased/(decreased) level 3 assets by \$15,195.

For the six-month period ended June 30, 2018:

	Balance at December 31, 2017	Purchases	Sales	Net transfers	Realized gain (loss)	Unrealized gain (loss)	Balance at June 30, 2018
Bonds	\$ 303,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,919
Mortgage Backed Securities	-	-	-	-	-	-	-
Total	\$ 303,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,919

The following is a reconciliation of Level 3 fair value assets as at December 31, 2017. The potential impact of a 5% change in value would have increased/(decreased) level 3 assets by \$15,195.

Ridgewood Tactical Yield Fund

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June 30, 2018 (Unaudited)

12. Financial Instruments (continued)

Fair Value Disclosure (continued)

For the year ended December 31, 2017:

	Balance at December 31, 2016	Purchases	Sales	Net transfers	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2017
Bonds	\$ -	\$ -	\$ -	\$ 303,919	\$ -	\$ -	\$ 303,919
Mortgage Backed Securities	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ 303,919	\$ -	\$ -	\$ 303,919

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