



Ridgewood Canadian Investment Grade Bond Fund

Annual Report 2014

Ridgewood Canadian Investment Grade Bond Fund

Annual Report 2014

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MESSAGE TO UNITHOLDERS

The bond market performed well in 2014 as the pace of economic growth began to level off and Europe entered into deflation. Investors continued to add to their fixed income holdings, with particular demand coming from foreign central banks and hedge funds. First quarter was strong for all risk assets as the equity market (Toronto) rallied 6.1%. The bond index achieved a respectable 2.8% in Q1.

The trend continued in the second quarter as equities rallied 6.4% and bonds returned 2.0%. Corporate bonds continued to outperform as the reach for higher yield attracted money into this sector. U.S. bonds started to outperform Canada bonds as the relative yield pickup over Canada bonds was more attractive. Both Canada and the U.S. continue to benefit from “safe haven” status and the fact that they are only a handful of countries that are rated AAA.

The Canadian central bank was rather quiet as it was still concerned about low growth, low inflation and relatively high unemployment. The Bank of Canada kept its overnight rate at 1% at every meeting and gave no indication that a change in rates would be forthcoming. This message, however, was not being heard as bond investors continued to push yields down. During the third quarter, the index rallied 1.1% while the TSX dropped 0.6%. The Bank of Canada continues to be concerned about the housing market and growing debt levels for Canadian consumers which has been growing despite changes in the mortgage rules.

The fourth quarter was almost a mirror image of the first quarter as bonds returned 2.7% while equities dropped another 1.5%. For the year, the Canadian bond index returned 8.8%, tracking the TSX which came in at plus 10.6%. Provincial bonds were the top performer at +12.2%, followed by BBB corporate bonds at just over 9%. The weakest sector in the bond market was Government of Canada bonds at 6.9%. Given that Inflation was stable for the entire year and economic growth continued to support risk assets, corporate bond investors were well compensated during 2014. We believe the low growth, low inflation environment will keep interest rates low and demand for corporate bonds will be strong as the reach for yield continues into 2015.

March 2015

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2014

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, 2014. 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 has an easing bias as inflation is low and growth is slowing down. Fixed income markets should benefit in this environment as rates will likely stay low for the foreseeable future. However, in a rising interest rate environment, bond prices will move down and the income generated by bonds may not be greater than the decrease in the price.

Summary of Investment Portfolio

The summary of the Fund's investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at www.ridgewoodcapital.ca.

The following table shows a summary of the Fund's investment portfolio as at Dec 31, 2014.

Asset Mix

December 31, 2014

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	73.8	Asset-Backed Securities	26.2

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2014

Top 25 Holdings

	Percentage of Net Asset value
1. Shaw Communications Inc. 6.75%, 2039/11/09	5.3%
2. Citigroup Inc., 5.16%, 2022/05//24	5.1%
3. Sobeys Inc. 6.06%, 2035/10/29	4.8%
4. Transalta 5.00%, 2020/11/25	4.4%
5. Medavie Inc. 6.00%, 2024/05/21	4.2%
6. Citigroup Inc. 5.365%, 2036/03/06	4.1%
7. Cominar REIT 4.23%, 2019/12/04	3.8%
8. Institutional Mortgage Securities Canada Inc., C2012-2 D, 2022/07/12	3.6%
9. Bell Canada 6.17%, 2037/02/26	3.5%
10. Fairfax Financial 5.84%, 2022/10/14	3.3%
11. Brookfield Asset 4.82%, 2026/01/28	3.2%
12. Equitable Group 5.399%, 2017/10/23	3.2%
13. Merrill Lynch Financial Asset Inc., C23 D1 2017/08/12	3.1%
14. Merrill Lynch Financial Asset Inc., C19 D 2016/06/12	3.1%
15. Merrill Lynch Financial Asset Inc., C22 D 2017/05/12	3.1%
16. Reliance LP 4.075%, 2021/08/02	2.8%
17. CIBC Capital Trust 10.25%, 2039/06/30	2.6%
18. Merrill Lynch Financial Asset Inc., C21 D, 2017/01/12	2.5%
19. Schooner Trust 2007-8 D 2017/06/12	2.4%
20. Capital Power L.P. 5.276%, 2020/11/16	2.2%
21. Cominar REIT 4.941%, 2020/07/27	2.1%
22. Institutional Mortgage Securities Canada Inc., C2012-2 E, 2022/07/12	2.1%
23. Institutional Mortgage Securities Canada Inc., Tranche D 2021/02/12	2.1%
24. Tranalta Corp. 7.30%, 2029/10/22	2.0%
25. Fairfax Financial 6.40%, 2021/05/25	2.0%
Total	80.6%

Results of Operations

For the year ended December 31, 2014, the net asset value of the Fund was \$13.72 compared to \$12.51 per unit at December 31, 2013.

In 2014 there were twelve cash distributions of \$.0530 each and one distribution of \$0.009582. In addition there was one nominal distribution of \$0.42910. 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, 2014 the Fund had an annual compound return of 15.09% net of fees of 1.83% (including HST) while the DEX Universe Bond Index had a return of 8.79%. In 2014 lower rated corporate bonds were among the top performing sectors in the bond market. Ridgewood took a tactical overweight position in corporate bonds in the BBB area to take advantage of the relative performance potential. We believe the fund will continue to benefit from this exposure and yields will likely continue to fall given the low inflation, low growth environment.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2014

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 is derived from the Fund's audited financial statements, with the exception of 2013 information, which was re-stated in accordance with IFRS requirements. For December 31, 2014 and December 31, 2013, the Net Assets included in the Net Assets per Unit table is from the Fund's audited financial statements and are calculated using closing prices as well the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of the MRFP are made using Net Asset Value.

The Fund's Net Assets per Unit

Class A					
Year	2014	2013	2012	2011	2010
Net assets, beginning of year	\$ 12.51	\$ 12.36	\$ 10.95	\$ 12.01	11.23
Increase (decrease) from operations:					
Total revenue	1.03	0.92	0.84	0.82	0.83
Total expenses	(0.24)	(0.29)	(0.15)	(0.17)	(0.14)
Realized gains (losses)	0.44	0.24	0.53	(0.75)	0.39
Unrealized gains (losses)	0.59	0.20	0.79	(0.16)	0.43
Total increase (decrease) from operations ⁽²⁾	1.82	1.07	2.01	(0.26)	1.51
Distributions:					
From net investment income (excluding dividends)	(0.68)	(0.59)	(0.60)	(0.41)	(0.76)
From net realized capital gains	(0.39)	(0.11)	-	-	(0.22)
From return of capital	-	(0.35)	(0.03)	(0.52)	-
Total annual distributions ⁽³⁾	(1.07)	(1.05)	(0.63)	(0.93)	(0.98)
Net assets, end of year ⁽⁴⁾	\$ 13.72	\$ 12.51	\$ 12.33	\$ 10.95	12.01

⁽¹⁾ This information is derived from the Fund's audited annual financial statements as at December 31 of the year, with the exception of 2013 information, which was re-stated in accordance with new IFRS requirements. For all prior years the financial statements of the Fund were prepared in accordance with Canadian GAAP applicable to public enterprises. Class A units list their initial offering price of \$12.00 per unit as the opening net asset value although such units may not have actually been issued at the beginning of the year. The inception date for Class A units was December 18, 2009.

⁽²⁾ 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.

⁽³⁾ Distributions, if any, were paid in cash, reinvested in additional units of the Fund, or both.

⁽⁴⁾ The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2014

Ratios and Supplemental Data

Class A

Year ⁽¹⁾	2014 ⁽¹⁾	2013	2012	2011	2010	2009 ⁽²⁾
Net asset value (000's)	\$ 107,992	\$ 89,154	\$ 79,366	\$ 77,712	\$ 54,429	\$ 47,321
Number of units outstanding	7,872,822	7,126,722	6,419,709	7,076,807	4,519,435	4,200,000
Management expense ratio ⁽³⁾	1.83%	2.35%	1.25%	1.41%	1.17%	2.87%
Management expense ratio before waivers or absorptions ⁽⁴⁾	1.83%	2.35%	1.25%	1.41%	1.17%	2.87%
Trading expense ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽⁵⁾	29.55%	23.25%	95.68%	176.07%	132.47%	0.43%
Closing Trading Price	\$ 13.73	\$ 13.98	\$ 12.25	\$ 11.60	\$ 11.98	\$ 11.94
Net asset value per unit, end of year	\$ 13.72	\$ 12.51	\$ 12.36	\$ 10.98	\$ 12.04	\$ 11.27

⁽¹⁾ The information is provided for the year ended December 31, 2014

⁽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⁾ 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 declined significantly in 2014 as the economic recovery stalled and Europe entered into a deflationary environment. The Bank of Canada is still concerned about low inflation and relatively high unemployment and will therefore keep rates low in 2015 with the potential for further cuts. Given recent statements from the Bank of Canada it appears that they are concerned about declining global growth and the drop in the price in oil. Bonds remain an attractive asset class in this low inflation low growth environment. Corporate bonds, particularly the lower rated sectors, will continue to provide additional income and return above the overall market.

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.

Ridgewood Canadian Investment Grade Bond Fund

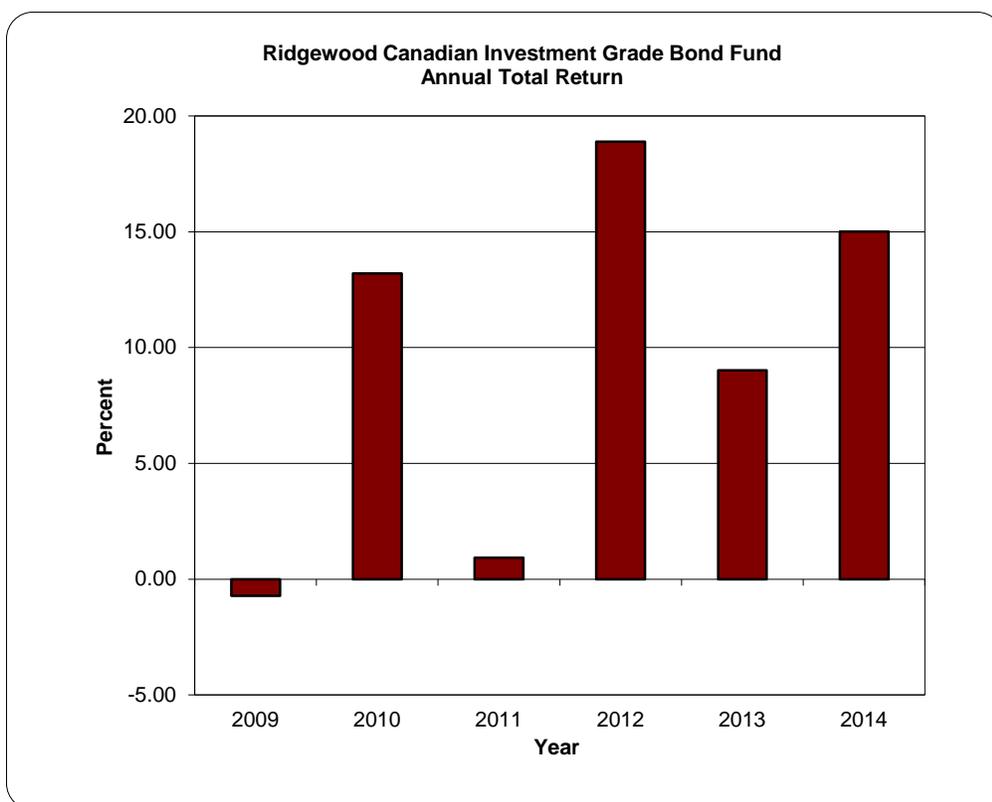
Management Report on Fund Performance

For the year ended December 31, 2014

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, of each year would have increased or decreased by the end of that fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (net of fees of 1.83%, including HST) for the period from January 1, 2014 to December 31, 2014 as compared to the performance of the DEX Universe Bond Index during that same period.

	One Year	Three Years	Five Years
Ridgewood Canadian Investment Grade Bond Fund	15.01%	14.24%	11.24%
DEX Universe Bond Index *	8.79%	3.65%	5.45%

* 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.

Ridgewood Canadian Investment Grade Bond Fund

Management Report on Fund Performance

For the year ended December 31, 2014

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 amended 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 IRC concerning related party transactions during the year.

Future Accounting Policy Changes

Below are accounting standards issued or amended but not yet effective and not yet adopted. The Manager does not expect the adoption of these standards or amendments to have significant impact to the Fund's financial statements.

The final version of IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB on July 24, 2014 and will replace IAS 39. IFRS 9 introduces a model for classification and measurement of financial assets and liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Ridgewood Capital Group of Funds is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

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.

Ridgewood Canadian Investment Grade Bond Fund

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

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



John H. Simpson
Director
Ridgewood Capital Asset Management Inc.



Paul W. Meyer
Director
Ridgewood Capital Asset Management Inc.

March 13, 2015

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 Statements of Financial Position as at December 31, 2014, December 31, 2013 and January 1, 2013, the Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Units and Statements of Cash Flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014, December 31, 2013, and January 1, 2013 and its financial performance, its changes in net assets attributable to holders of redeemable units, and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 13, 2015

Ridgewood Canadian Investment Grade Bond Fund

Statements of Financial Position

As at December 31, 2014, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013	January 1, 2013
Assets	\$	\$	\$
		(Note 14)	(Note 14)
Cash	170,206	229,522	1,976
Financial asset at fair value through profit or loss (cost 2014 - \$153,750,475, 2013 - \$115,870,139, 2012 - \$83,000,347)	165,484,919	123,130,699	88,928,496
Accounts receivable relating to units issued	2,213,044	1,641,783	-
Accrued interest receivable	1,404,026	862,067	665,181
Total Assets	169,272,195	125,864,071	89,595,653
Liabilities			
Accrued expenses	182,928	134,332	104,470
Distribution payable	492,697	377,716	337,035
Loan payable (Note 9)	58,208,773	34,429,566	1,630,305
Liabilities for securities redeemed	2,395,823	1,768,661	8,157,661
Total Liabilities	61,280,221	36,710,275	10,229,471
Net assets attributable to holders of redeemable units	107,991,974	89,153,796	79,366,182
Number of units outstanding, Class A (Note 5)	7,872,822	7,126,722	6,419,709
Net assets attributable to holders of redeemable units per unit	13.72	12.51	12.36

(see accompanying notes to annual financial statements)

Approved on behalf of the Board of Directors of the Manager:



John H. Simpson, CFA
Managing Director



Paul W. Meyer, CFA
Managing Director

Ridgewood Canadian Investment Grade Bond Fund

Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

	December 31, 2014	December 31, 2013
	\$	\$
		(Note 14)
Income		
Interest for distribution purposes	7,824,987	6,010,124
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss		
Net realized gain on sale of investments	3,291,898	1,559,490
Net change in unrealized appreciation of investments	4,473,884	1,332,411
Total operating income	15,590,769	8,902,025
Expenses		
Management fees (Note 7)	542,679	442,004
Administration fees	186,489	191,855
Legal fees	129,859	100,726
Custodial fees	23,295	-
Unitholder reporting costs	22,820	22,858
Independent Review Committee fees	17,567	17,567
Audit fees	23,550	21,935
Advisory fees	202	650,639
Total operating expenses	946,461	1,447,584
Operating profit	14,644,308	7,454,441
Finance cost		
Interest and bank fees (Note 9)	899,597	470,430
Increase in net assets attributable to holders of redeemable units	13,744,711	6,984,011
Increase in net assets attributable to holders of redeemable units per unit, Class A (based on weighted average number of units outstanding during the year - '2014 - 7,563,601; 2013 - 6,531,667)	1.82	1.07

(see accompanying notes to annual financial statements)

Ridgewood Canadian Investment Grade Bond Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the years ended December 31, 2014 and 2013

	December 31, 2014	December 31, 2013
	\$	\$
		(Note 14)
Net assets attributable to holders of redeemable units at beginning of year	89,153,796	79,366,182
Increase in net assets attributable to holders of redeemable units	13,744,711	6,984,011
Distributions:		
From net investment income	(5,167,453)	(3,347,718)
From net realized capital gains	(3,099,847)	(757,536)
From return of capital	-	(1,979,072)
	5,477,411	899,685
Redeemable unit transactions		
Issue costs	(314,392)	(278,808)
Proceeds from the issuance of units of the investment fund	12,692,765	10,935,398
Aggregate amounts paid on redemption of units of the investment fund	(2,395,840)	(1,768,661)
Securities issued on reinvestment of distributions	3,378,234	-
	13,360,767	8,887,929
Net assets attributable to holders of redeemable units at end of year	107,991,974	89,153,796

(see accompanying notes to annual financial statements)

Ridgewood Canadian Investment Grade Bond Fund

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	December 31, 2014	December 31, 2013
	\$	\$
		(Note 14)
Cash provided by (used in) operating activities		
Net increase in net assets attributable to holder of redeemable Units	13,744,711	6,984,011
Adjustments for:		
Net realized gain on sale of investments	(3,291,898)	(1,559,490)
Net change in unrealized appreciation of investments	(4,473,884)	(1,332,411)
Purchase of investments	(79,447,505)	(56,696,620)
Proceeds from sale of investments	44,859,067	25,386,318
Increase in accrued interest receivable	(541,959)	(196,886)
Increase in accrued expenses	48,596	29,862
	(29,102,872)	(27,385,216)
Cash Flows from Financing Activities		
Proceeds from the issuance of units of the investment fund	12,121,504	9,293,614
Issue costs paid	(314,392)	(278,808)
Aggregate amounts paid on redemption of units of the investment fund	(1,768,678)	(8,157,661)
Distributions paid to unitholders	(4,774,085)	(6,043,644)
Change in loan payable	23,779,207	32,799,261
	29,043,556	27,612,762
Increase (decrease) in Cash during the Year	(59,316)	227,546
Cash, beginning of year	229,522	1,976
Cash, end of year	170,206	229,522
Interest received	7,283,028	5,813,238
Interest paid	871,132	438,743

(see accompanying notes to annual financial statements)

Ridgewood Canadian Investment Grade Bond

Schedule of Investments

As at December 31, 2014

Par Value	Security	Average Cost	Fair Value	% of net assets
		\$	\$	
Canadian Bonds				
Corporate Bonds				
1,000,000	Algonquin Power Co., Callable, 4.65%, 2022/02/15	998,640	1,062,182	
1,000,000	AltaGas Ltd., Callable, 4.40%, 2024/03/15*	999,400	1,070,750	
1,000,000	AltaGas Ltd., Callable, 5.16%, 2044/01/13*	998,790	1,077,418	
4,700,000	Bell Canada, Callable, 6.17%, 2037/02/26*	4,745,291	5,762,936	
3,000,000	Brascan Corp., 5.95%, 2035/06/14*	3,292,480	3,320,163	
5,000,000	Brookfield Asset Management Inc., Callable, 4.82%, 2026/01/28*	4,997,750	5,311,775	
3,400,000	Capital Power L.P., Callable, 5.28%, 2020/11/16*	3,592,270	3,713,417	
3,000,000	CIBC Capital Trust, Callable, 10.25%, 2039/06/30*	4,182,990	4,355,302	
6,000,000	Cominar REIT, 4.23%, 2019/12/04*	5,931,585	6,213,884	
3,300,000	Cominar REIT, Series '4', Callable, 4.94%, 2020/07/27*	3,370,821	3,520,943	
2,500,000	Cominar REIT, Series '8', 4.25%, 2021/12/08	2,500,000	2,532,165	
5,000,000	Equitable Group Inc., 5.40%, 2017/10/23*	5,000,000	5,236,370	
3,000,000	Fairfax Financial Holdings Ltd., Callable, 6.40%, 2021/05/25*	3,271,700	3,379,481	
5,000,000	Fairfax Financial Holdings Ltd., Callable, 5.84%, 2022/10/14*	5,145,536	5,482,070	
1,500,000	First Capital Realty Inc., Series 'R', Callable, 4.79%, 2024/08/30	1,506,870	1,631,121	
3,000,000	First Capital Realty Inc., Series 'S', Callable, 4.32%, 2025/07/31	3,002,430	3,120,954	
7,000,000	Medavie Inc., Series '1', Variable Rate, Restricted, 6.00%, 2024/05/21	7,000,000	7,000,000	
1,000,000	Metro Inc., Series 'D', Restricted, Callable, 5.03%, 2044/12/01	999,540	1,027,045	
4,500,000	Reliance L.P., 4.08%, 2021/08/02	4,505,400	4,545,184	
2,000,000	Shaw Communications Inc., Callable, 4.35%, 2024/01/31*	1,999,520	2,126,465	
7,000,000	Shaw Communications Inc., Callable, 6.75%, 2039/11/09*	8,486,160	8,689,561	
2,000,000	Sobeys Inc., Callable, 4.70%, 2023/08/08	2,130,800	2,163,362	
7,000,000	Sobeys Inc., Series 'D', 6.06%, 2035/10/29*	7,694,400	7,914,912	
2,500,000	TELUS Corp., Series 'CP', Callable, 4.85%, 2044/04/05*	2,496,850	2,639,278	
2,000,000	Teranet Holdings L.P., Callable, 5.75%, 2040/12/17	2,224,000	2,257,865	
7,000,000	TransAlta Corp., 5.00%, 2020/11/25*	7,033,200	7,317,832	
3,000,000	TransAlta Corp., Callable, 7.30%, 2029/10/22	3,299,520	3,390,210	
900,000	TransAlta Corp., Step Coupon, 6.90%, 2030/11/15	953,550	973,908	
		102,359,493	106,836,553	98.93%
Asset-Backed Securities				
3,100,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2011-1', Variable Rate, Callable, 5.28%, 2021/02/12	2,899,834	3,424,458	
6,000,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2012-2', Variable Rate, Callable, 4.65%, 2022/07/12	5,434,200	5,906,408	
3,603,000	Institutional Mortgage Securities Canada Inc., Class 'E', Series '2012-2', Variable Rate, Callable, 4.65%, 2022/07/12	3,177,197	3,481,483	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D1', Series '2007-CA23', Variable Rate, Callable, 5.73%, 2017/08/12	4,726,750	5,200,000	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2006-CA19', Variable Rate, Callable, 5.42%, 2039/06/12	4,577,500	5,125,000	
4,111,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA21', Variable Rate, 5.19%, 2040/01/12	3,821,380	4,131,555	
1,870,000	Merrill Lynch Financial Asset Inc., Class 'E', Series '2007-CA21', Variable Rate, 5.19%, 2040/01/12	1,732,555	1,851,300	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA22', Variable Rate, Callable, 5.22%, 2049/03/12	3,938,000	5,100,000	
2,137,860	Schooner Trust, Class 'E', Series '2007-7', Variable Rate, 5.17%, 2017/02/12	2,066,199	2,129,309	
3,886,087	Schooner Trust, Class 'E', Series '2007-8', Variable Rate, Callable, 5.24%, 2017/06/12	3,754,115	3,963,809	
3,000,000	Schooner Trust, Class 'D', Series '2007-8', Floating Rate, Callable, 5.24%, 2022/06/12	2,931,800	3,045,000	
		39,059,530	43,358,322	40.15%
Total Canadian Bonds and ABS		141,419,023	150,194,875	139.08%
U.S. Bonds				
Corporate Bonds				
8,000,000	Citigroup Inc., Variable Rate, Callable, 5.16%, 2027/05/24*	7,079,140	8,454,685	
6,300,000	Citigroup Inc., 5.37%, 2036/03/06*	5,252,312	6,835,359	
		12,331,452	15,290,044	14.16%
TOTAL U.S. Bonds		12,331,452	15,290,044	14.16%
Total Investment Portfolio		153,750,475	165,484,919	153.24%
Cash and other assets, net of liabilities			(57,492,945)	-53.24%
Total net assets attributable to holders of redeemable units			107,991,974	100.00%

* These securities are held as collateral with Scotiabank for the loan payable or margin account (Note 8)

(See accompanying notes to annual financial statements)

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2014

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. (“Ridgewood” or the “Manager”) is the Manager and Trustee of the Fund. The Fund’s principal office is 55 University Avenue, Suite 1020, Toronto, Ontario M5J 2H7. The fiscal year end of the Fund is December 31.

Ridgewood is also the investment manager 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. The Fund has a fixed termination date of December 31, 2019, recently extended from December 31, 2014. The financial statements are authorized for issuance by Ridgewood Capital Asset Management Inc. on March 13, 2015.

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.

3. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies

had always been in effect. Note 14 discloses the impact of the transition to IFRS on the Fund’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund’s financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Fund classifies its investments as financial assets at FVTPL. Financial Assets have two sub-categories: those designated at FVTPL at inception, and financial assets held for trading. Financial assets designated at FVTPL at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund’s documented investment strategy. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Fund does not classify any investments as held for trading. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, on the accrual basis based on the bond coupon rate. The Fund’s accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

Recognition, Initial Measurement and Classification

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the FVTPL designation for financial assets

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2014

under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading.

Capital Disclosures

The Fund's objectives, policies and processes for managing capital are described in Note 2. Information on the Fund's capital structure is described in Note 5 and Note 8. The fund does not have any externally imposed capital requirements other than disclosed in Note 8.

Valuation of Investments

For financial reporting purposes, investments are valued at their fair value. Investments held that are traded in an active market through recognized public stock exchange, over-the-counter markets, or through recognized investment dealers, are valued at their last traded market price where the last traded market price falls within the day's bid ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Investments held include equities, short-term notes, treasury bills, bonds, asset-backed securities and other debt instruments. The Fund policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3.

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

Bonds are valued at the mean of bid/ask prices provided by recognized investment dealers. Unlisted convertible debentures are valued at cost, if the underlying security is less than the conversion price; or if the underlying security is greater than the conversion price, at the market value of the underlying security multiplied by the number of shares to be received. Mutual fund units held are priced using the net assets value (NAV) per unit, which is fair value, as of the valuation date for the particular fund for both reporting Net Assets attributable to holders of redeemable units and daily NAV.

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 Fund classifies fair value measurements within a hierarchy that prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are as follows.

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the 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.

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) Bonds and short-term investments

Bonds include primarily government and corporate bonds. Short-term notes and treasury bills are stated at amortized cost plus accrued interest, which approximates fair market value. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds and short-term investments have been classified as Level 2.

Please see Note 12 for these disclosures.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2014

Foreign currency

a) Functional and presentation currency

Items included in the annual financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the “functional currency”). The annual financial statements of the Fund are presented in CAD which is the Fund’s functional currency.

b) Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in fair value.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

a) Fair value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable

data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 – Financial Instruments - Disclosure for further information about the fair value measurement of the Fund’s financial instruments.

b) Classification and measurement of investments designated as FVTPL.

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the FVTPL designation for the financial assets under IAS39, Financial Instruments – Recognition and Measurement (IAS39). The most significant judgment made include the determination that certain investments are held-for-trading.

5. REDEEMABLE UNITS

Each unitholder in the Fund acquires redeemable units, which represent an undivided interest in the net assets of the Fund. All 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 redeemable unit transactions during the year:

December 31, 2014

	2014
Units outstanding,	
Beginning of year	7,126,722
Redeemable units issued for cash	746,100
Redeemable units redeemed	-
Units issued on	
reinvestment of distributions	-
Units outstanding, end of year	7,872,822

Ridgewood Canadian Investment Grade Bond Fund

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December 31, 2013

	2013
Units outstanding,	
Beginning of year	6,419,709
Redeemable units issued for cash	847,624
Redeemable units redeemed	(140,611)
Units outstanding, end of year	7,126,722

6. RELATED PARTY TRANSACTIONS

The Fund's investment activities are managed by Ridgewood Capital Asset Management Inc. (the "Manager").

Management fees

Under the terms of the management agreement dated November 27, 2009 as amended and restated on December 17, 2009, the Fund appointed the Manager to provide management services. The Manager receives a fee based on the NAV of the Fund's units, accrued daily and payable monthly out of the assets of the Fund. The maximum management fee is equal to 0.50% (excluding HST) of the net asset value of the Fund. Services received under the Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund. Total Management fees for the year ended December 31, 2014 amounted to \$542,679 (December 31, 2013 - \$442,004).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2014 was \$17,567 (December 31, 2013 - \$17,567).

7. MANAGEMENT FEES AND EXPENSES

Ridgewood is entitled to an annual management fee payable out of the assets of the Fund. The management fee is equal to 0.50% (excluding HST) of the net asset value of the Fund.

Ongoing expenses are paid out of the assets of the Fund and include all normal day-to-day operating expenses of the Fund, including without limitation, mailing and printing expenses for periodic reports to unitholders and other unitholder communications including marketing and advertising expenses. Fees payable to the Custodian, the registrar and transfer agent, the Valuation Agent and/or other parties engaged by the Fund for performing certain financial, record keeping, reporting and general administrative services are charged to the Fund. Any reasonable out-of-pocket

expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund, fees are payable to the Manager for performance of extraordinary services on behalf of the Fund, auditors and legal advisors; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Fund; and fees payable to the members of the independent review committee of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager or any other party is entitled to indemnity by the Fund. The Fund will be responsible for its costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.

8. 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.

9. LOAN PAYABLE AND INTEREST AND BANK FEES

The Fund has a margin account held at Scotiabank which requires collateral against loans (see Schedule of Investments). The Fund can borrow an amount up to 35% of the total assets of the Fund.

Loan Payable

As at December 31, 2014 the balance of the account was \$58,208,773 (December 31, 2013 - \$34,429,566, January 1, 2013 - \$1,630,305). During the year the maximum amount borrowed was \$59,799,449 (2013 - \$42,906,545, January 1, 2013 - \$30,160,008) and the minimum amount borrowed was \$34,217,610 (December 31, 2013 - \$1,623,573, January 1, 2013 - \$1,630,305).

Interest and Bank Fees

Total interest and bank fees on the account were \$899,597 for the year (2013 - \$470,430 for the year). The account is charged interest based on Bloomberg Ticker Reference plus 70bps on debit spread or minus 25 bps on credit spread. If interest rates had increased/decreased by 100 basis points interest

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2014

expense would have changed by approximately \$529,176 (December 31, 2013 - \$276,718, January 1, 2013 - \$188,683).

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 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, 2014 taxation year-end, the Fund had no (2013 - Nil) capital losses and non-capital losses available for carryforward.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's financial instruments consist of bonds, asset-backed securities, liabilities for securities redeemed, cash and loan payable. As a result, the Fund is primarily exposed to interest rate risk and credit risk.

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

Interest Rate Risk

The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Since the loan payable is a short-term obligation the interest rate sensitivity is minimal.

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

As at December 31, 2014:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	\$	\$	\$
Interest Rate Exposure	58,208,773	-	-

	1-3 years	3-5 years	More than 5 years
Investments	\$	\$	\$
Interest Rate Exposure	16,529,487	6,213,884	142,741,548

	Non Interest bearing	Total
	\$	\$
Interest Rate Exposure	-	165,484,919

As at December 31, 2013:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	\$	\$	\$
Interest Rate Exposure	34,429,566	-	-

	1-3 years	3-5 years	More than 5 years
Investments	\$	\$	\$
Interest Rate Exposure	7,628,014	19,052,425	96,450,260

	Non Interest bearing	Total
	\$	\$
Interest Rate Exposure	-	123,130,699

As at January 1, 2013:

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

Ridgewood Canadian Investment Grade Bond Fund

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	1-3 years	3-5 years	More than 5 years
Investments	\$	\$	\$
Interest Rate Exposure	3,143,306	23,535,533	62,249,657

	Non Interest bearing	Total
	\$	\$
Interest Rate Exposure	-	88,928,496

At December 31, 2014, 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 \$11.1 million (December 31, 2013 - \$6.3 million, January 1, 2013 - \$4.4 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 \$11.1 million (December 31, 2013 - \$6.3 million, January 1, 2013 - \$4.4 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 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 AA/Aa and BBB/Baa rated securities.

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

Portfolio by rating category December 31, 2014	
Rating	As a % of Net Assets
AAA/Aaa	-
AA/Aa	-
A/A	12.74%
BBB/Baa	134.02%
Unrated	6.48%
Total	153.24%

Portfolio by rating category December 31, 2013	
Rating	As a % of Net Assets
AAA/Aaa	-
AA/Aa	-
A/A	9.00%
BBB/Baa	129.11%
Total	138.11%

Portfolio by rating category January 1, 2013	
Rating	As a % of Net Assets
AAA/Aaa	-
AA/Aa	5.90%
A/A	3.51%
BBB/Baa	102.64%
Total	112.05%

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, so there is no currency risk.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2014

Liquidity Risk

Liquidity risk is the risk that a Fund will encounter difficulty in meeting obligations associated with its daily cash redemption of units. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and which can be readily disposed of. The tables below analyze the Fund's financial liabilities as at December 31, 2014, December 31, 2013 and January 1, 2013.

As at December 31, 2014:

	1-3 months	> 3 months	Total
	\$	\$	\$
Accrued expenses	182,928	-	182,928
Distribution payable	492,697	-	492,697
Loan payable	-	58,208,773	58,208,773
Liabilities for securities redeemed	2,395,823	-	2,395,823
Total liabilities	3,071,448	58,208,773	61,280,221

As at December 31, 2013:

	1-3 months	> 3 months	Total
	\$	\$	\$
Accrued expenses	134,332	-	134,332
Distribution payable	377,716	-	377,716
Loan payable	-	34,429,566	34,429,566
Liabilities for securities redeemed	1,768,661	-	1,768,661
Total liabilities	2,280,709	34,429,566	36,710,275

As at January 1, 2013:

	1-3 months	> 3 months	Total
	\$	\$	\$
Accrued expenses	104,470	-	104,470
Distribution payable	337,035	-	337,035
Loan payable	-	1,630,305	1,630,305
Liabilities for securities redeemed	8,157,661	-	8,157,661
Total liabilities	8,599,166	1,630,305	10,229,471

Concentration risk

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

Market segments	December 31, 2014
Canadian Corporate Bonds	98.93%
U.S. Corporate Bonds	14.16%
Asset-Backed Securities	40.15%
Total	153.24%

Market segments	December 31, 2013
Asset-Backed Securities	54.12%
Canadian Corporate Bonds	43.71%
U.S. Corporate Bonds	27.06%
Global Bonds	13.22%
Total	138.11%

Market segments	January 1, 2013
Asset-Backed Securities	63.86%
U.S. Corporate Bonds	18.85%
Municipal Bonds	0.00%
Canadian Corporate Bonds	17.69%
Global Bonds	11.65%
Total	112.05%

12. 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 4. 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, 2014, December 31, 2013 and January 1, 2013.

Financial Assets at fair value as of December 31, 2014				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	122,126,597	-	122,126,597
Asset-backed securities	-	43,358,322	-	43,358,322
Cash	170,206	-	-	170,206
Loan payable	-	(58,208,773)	-	(58,208,773)
Total	170,206	107,276,146	-	107,446,352

Financial Assets at fair value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	74,880,072	-	74,880,072
Asset-backed securities	-	48,250,627	-	48,250,627
Cash	229,522	-	-	229,522
Loan payable	-	(34,429,566)	-	(34,429,566)
Total	229,522	88,701,133	-	88,930,655

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2014

Financial Assets at fair value as of January 1, 2013				
	Level 1	Level 2	Level 3	Total
		\$	\$	\$
Bonds	-	38,250,039	-	38,250,039
Asset-backed securities	-	50,678,457	-	50,678,457
Cash	1,976	-	-	1,976
Loan payable	-	(1,630,305)	-	(1,630,305)
Total	1,976	87,298,191	-	87,300,167

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the years ended December 31, 2014 and 2013.

In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2014 and 2013.

13. Financial instruments by category

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2014:

Financial Instruments by category as of December 31, 2014			
Assets	Financial assets at FVTPL		Total
	HFT	Designated at inception	\$
Non-derivative financial assets	-	165,484,919	165,484,919
Total	-	165,484,919	165,484,919

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2013:

Financial Instruments by category as of December 31, 2013			
Assets	Financial assets at FVTPL		Total
	HFT	Designated at inception	\$
Non-derivative financial assets	-	123,130,699	123,130,699
Total	-	123,130,699	123,130,699

The following tables present the carrying amounts of the Fund's financial instruments by category as at January 1, 2013:

Financial Instruments by category as of January 1, 2013			
Assets	Financial assets at FVTPL		Total
	HFT	Designated at inception	\$
Non-derivative financial assets	-	88,928,496	88,928,496
Total	-	88,928,496	88,928,496

The Fund's financial instruments as at December 31, 2014, December 31, 2013 and January 1, 2013 are designated as FVTPL.

The Fund's net gains (losses) on financial instruments for the years ended December 31, 2014 and 2013 were all from financial instruments designated as FVTPL.

14. Transition to IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset and liability at fair value through profit or loss upon transition to IFRS. All financial assets designated as FVTPL upon transition were previously carried at fair value under Canadian GAAP.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS.

Equity	December 31 2013
Equity reported under Canadian GAAP	\$ 88,884,296
Revaluation of investments at FVTPL	269,500
Net assets attributable to holders of redeemable units	\$ 89,153,796

Equity	January 1 2013
Equity reported under Canadian GAAP	\$ 79,134,496
Revaluation of investments at FVTPL	231,686
Net assets attributable to holders of redeemable units	\$ 79,366,182

Comprehensive Income	Year ended December 31 2013
Comprehensive income reported under Canadian GAAP	\$ 6,946,197
Revaluation of investments at FVTPL	37,814
Increase in net assets attributable to holders of redeemable units	\$ 6,984,011

Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2014

Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by \$231,686 at January 1, 2013 and \$269,500 at December 31, 2013. The impact of these adjustments was to increase the Fund's net assets attributable to holders of redeemable units by \$37,814 for December 31, 2013.

Reclassification adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS. Under Canadian GAAP, the Fund presented interest income on debt instruments in the statement of comprehensive income calculated using the stated rate without amortization of discounts, premiums or transaction costs. Under IFRS, the Fund calculates interest income for distribution purposes on accrual basis based on the bond coupon rate.

15. Future accounting policies

Accounting standards issued but not yet adopted

Below are accounting standards issued or amended but not yet effective and not yet adopted. The Manager does not expect the adoption of these standards or amendments to have significant impact to the Fund's financial statements.

The final version of IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39. IFRS 9 introduces a model for classification and measurement of financial assets and liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Ridgewood Capital Group of Funds is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Investment Grade *Bond Fund*

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