



**Ridgewood Canadian Investment Grade Bond Fund
Annual Report 2011**

Ridgewood Canadian Investment Grade Bond Fund

December 31, 2011 and 2010

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MESSAGE TO UNITHOLDERS

Capital markets in 2011 continued their recovery process as most major asset classes produced positive returns. As the North American economy improved and exited the contraction phase in the first quarter, corporate bonds continued to rally. Central banks did not raise interest rates with quantitative easing (i.e. the purchase of government bonds and mortgages) being done by the Federal Reserve in the United States. In fact, the European Central Bank cut rates twice to attempt to stimulate the struggling Euro region. The Canadian debt markets were the beneficiaries of this action as investors viewed our markets as fiscally sound with less relative future supply of bonds. In addition, given the strong Canadian currency, inflation expectations remained low.

In the second quarter credit markets worldwide continued to rally as investors began to get comfortable with adding risk oriented assets back into their portfolios. Supply of corporate debt globally, although heavy at times was easily absorbed by the market. Balance sheet improvement was the goal for corporate issuers and at this point of the credit cycle they were well on their way to achieving this objective. The Canadian economy also was in good shape as the Bank of Canada continues to point to a robust housing market as their primary reason for maintaining rates.

The overnight rate was maintained at 1% as the Bank was also concerned about a rising Canadian dollar. The bond market rallied strongly in the third quarter, as foreign investors were buying Canadian debt given its high credit quality in an uncertain environment. The Central Banks outside of Canada also continued their purchases of mortgages and Government bonds, which helped support global debt markets.

The U.S. economy continued to grow in the fourth quarter even as China began to slow slightly. The global credit markets continued to deteriorate because of the European debt crisis. Despite this, investors continued purchasing corporate debt, which offered a higher yield, as well as more secure Government debt.

We remain positive on fixed income investments especially corporate debt in the current Canadian economic fiscal environment.

March, 2012

Ridgewood Canadian Investment Grade Bond Fund

Management report on fund performance

For the year ended December 31, 2011

Management Report on Fund Performance

This Management Report on Fund Performance has been prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) and contains the financial highlights of Ridgewood Canadian Investment Grade Bond Fund (the "Fund") for the year ended December 31, 2011. The annual 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 the Fund will be invested primarily in investment grade bonds issued by Canadian issuers available to domiciled investors. In addition, the Fund may invest up to 10% of the Portfolio in U.S. investment grade bonds. From time to time, the Fund may hold cash and cash equivalents. As at each determination date (being June 30 and Dec 31 each year), at least 90% of the Portfolio will be invested in Canadian securities. The Fund may borrow an amount up to 25% of the total amount of the Fund.

Risk

The Fund invests primarily in liquid Canadian federal and provincial government securities, and those of Canadian corporations rated investment grade or better by the Dominion Bond Rating Service Limited or other recognized rating agencies. The Fund may also invest to a limited extent in comparable fixed income securities of foreign issuers. Investors should be aware that the primary risk associated with the Fund is interest rate risk. The Bank of Canada may raise interest rates in 2013 to begin normalizing lending costs. This action could have an impact on fixed income securities particularly in the 1-5 year area of the bond market. In a rising interest rate environment, bond prices will move down and the income generated by bonds may not be greater 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, 2011.

Asset mix

December 31, 2011

	% of Net Asset Value	% of Net Asset Value
Corporate Bonds	99.1	.9

Ridgewood Canadian Investment Grade Bond Fund

Management report on fund performance

For the year ended December 31, 2011

Top 25 Holdings

	Percentage of Net Asset value
1. Citigroup Inc., 5.37%, 2036/03/06	5.2%
2. Manulife Financial Capital Trust II, Variable Rate 7.41%, 2019/12/31	5.1%
3. Merrill Lynch Financial Asset Inc., Class 'D', 5.53%, 2039/06/12	5.0%
4. Citigroup Inc., Variable Rate, 5.16%, 2027/05/24	5.0%
5. Merrill Lynch Financial Asset Inc., Class 'B', Variable Rate, 5.62%, 2017/08/12	4.8%
6. Lloyds TSB Bank PLC, 10.10%, 2021/12/16	4.4%
7. Merrill Lynch Financial Asset Inc., Class 'AJ', Variable Rate, 5.62%, 2017/08/12	4.3%
8. Merrill Lynch & Co. Inc., Variable Rate, 5.29%, 2022/05/30	4.3%
9. Goldman Sachs Group Inc. (The), 5.00%, 2018/05/03	3.9%
10. CIBC Capital Trust, Series 'A', 9.98%, 2019/06/30	3.9%
11. Sun Life Financial Inc., 4.57%, 2021/08/23	3.6%
12. CIBC Capital Trust, 10.20%, 2039/06/30	3.3%
13. Merrill Lynch Financial Asset Inc., Class 'D', Variable Rate, 5.22%, 2049/03/12	3.3%
14. Institutional Mortgage Securities Canada Inc., Class 'D', 5.35%, 2021/02/12	3.3%
15. Nova Scotia Power Inc., Series 'L', 8.30%, 2036/03/21	3.2%
16. Algonquin Power Co., 5.50%, 2018/07/25	3.2%
17. Real Estate Asset Liquidity Trust, Class 'D1', Variable Rate, 5.18%, 2015/10/12	3.2%
18. JPMorgan Chase & Co., Variable Rate, 5.06%, 2021/02/22	3.0%
19. Lloyds TSB Bank PLC, 5.28%, 2016/04/19	3.0%
20. Morgan Stanley, Series 'F', 4.90%, 2017/02/23	2.8%
21. Home Capital Group Inc., 5.20%, 2016/05/04	2.7%
22. TD Capital Trust IV, Perpetual, 10.00%, 2039/06/30	2.5%
23. TD Capital Trust IV, Variable Rate, 6.63%, 2021/06/30	2.4%
24. Bell Aliant Regional Communications L.P., Series '8', 4.88%, 2018/04/26	2.2%
25. Shaw Communications Inc., 6.75%, 2039/11/09	2.2%
Total	89.70%

Results of operations

For the year ended December 31, 2011, the net asset value of the Fund was \$10.98 compared to \$12.04 per unit at December 31, 2010.

In 2011 there were twelve distributions of \$.0525 each and three special distributions of \$.10. 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, 2011 the Fund had an annual compound return of 0.93% gross of fees of 1.41% while the DEX Universe Bond Index had a return of 9.68%. Fees included operating costs as well as costs associated with the Fund's second public offering. Ridgewood took advantage of historically high yields and over-weighted corporate bonds, which will position the fund to generate consistent cash flows going forward.

Ridgewood Canadian Investment Grade Bond Fund

Management report on fund performance

For the year ended December 31, 2011

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 as of June 30, 2011. This information is derived from the Fund's annual audited financial statements. Please see the front page for information on how you may obtain the Fund's annual statements.

The Fund's Net Assets per Unit

Class A

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

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. Class A units list their initial offering price of \$12.00 per unit as the opening net asset value although such units may not have actually been issued at the beginning of the year. The inception date for Class A units was December 18, 2009.

⁽²⁾ The net assets per security presented in the financial statements differs from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

⁽³⁾ Net assets per security and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the average number of units outstanding over the financial year.

⁽⁴⁾ Distributions, if any, were paid in cash, reinvested in additional units of the Fund, or both.

⁽⁵⁾ The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Ridgewood Canadian Investment Grade Bond Fund

Management report on fund performance

For the year ended December 31, 2011

Ratios and supplemental data

Class A

Year ⁽¹⁾	2011 ⁽¹⁾	2010	2009 ⁽²⁾
Net asset value (000's)	\$ 77,712 \$	54,429 \$	47,321
Number of units outstanding	7,076,807	4,519,435	4,200,000
Management expense ratio ⁽³⁾	1.41%	1.17%	2.87%
Management expense ratio before waivers or absorptions ⁽⁴⁾	1.41%	1.17%	2.87%
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽⁶⁾	176.07%	132.47%	0.43%
Net asset value per unit, end of year	\$ 10.98 \$	12.04 \$	11.27

(1) The information is provided for the year ended December 31, 2011

(2) The inception date for Class A is December 18, 2009.

(3) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets during the year. Out of its management fees, the Manager pays for such services to the Fund as portfolio manager compensation, service fees and marketing. Management expense ratio is inclusive of performance fees.

(4) The Manager, at its discretion, waived and/or absorbed a portion of the fees and/or expenses otherwise payable by the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

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

(6) The Fund's portfolio turnover rate indicates how actively the Sub-Advisor trades the Fund's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

Management fees

Ridgewood Capital Asset Management Inc. (the "Manager") is entitled to an annual management fee payable out of the assets of the Fund. The maximum management fee is equal to 0.50% (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

In 2011 the Bank of Canada maintained the overnight interest rate at 1%. Their goal is to provide modest growth with stable inflation. To date they have succeeded and given the strength of the Canadian dollar, they have room to delay interest hikes, possibly into mid 2013. Bonds have reacted positively given this backdrop as the Bank of Canada is widely viewed as being ahead of any inflation concerns. Mid term corporate bonds are the focus of the portfolio currently and the backdrop described above will be positive for the portfolio holdings.

Ridgewood Canadian Investment Grade Bond Fund

Management report on fund performance

For the year ended December 31, 2011

Past performance

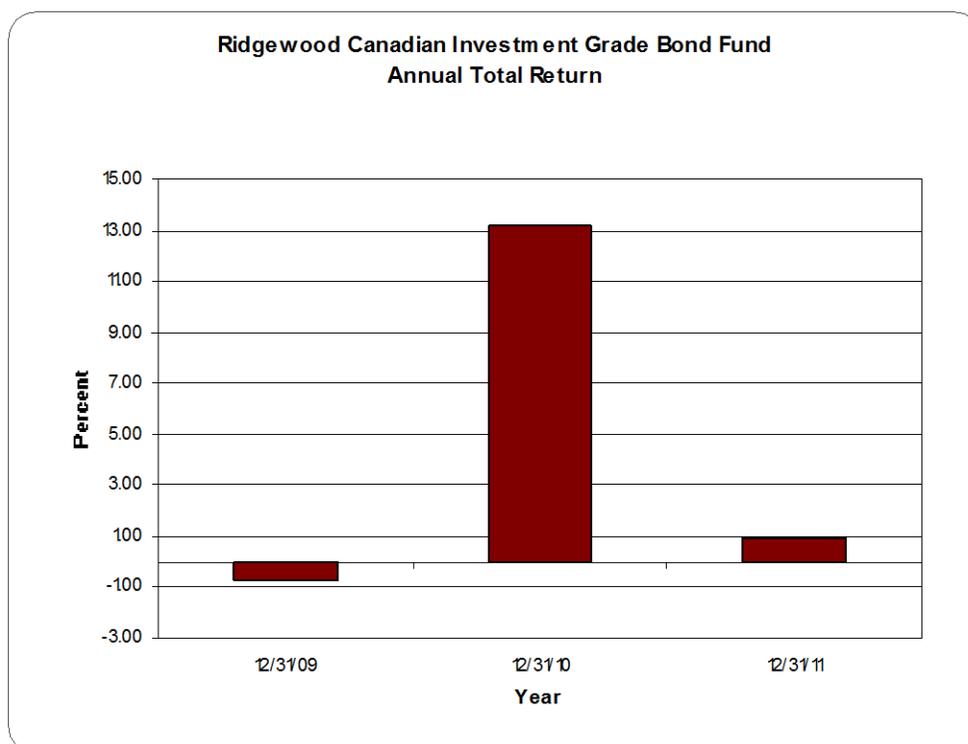
The past performance of the Fund is set out below and indicates year-by-year returns, overall past performance and annual compound returns.

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

- the return or performance information does not take into account sales, redemptions, distributions or other optional charges or income taxes payable that would have reduced returns or performance; and
- how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-year returns

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



Ridgewood Canadian Investment Grade Bond Fund

Management report on fund performance

For the year ended December 31, 2011

Annual Compound Returns

The following table shows the Fund's historical annual compound total return (gross of fees of 1.37%) for the period from January 1, 2011 to December 31, 2011 as compared to the performance of the DEX Universe Bond Index during that same period.

	One Year
Ridgewood Canadian Investment Grade Bond Fund	0.93%
DEX Universe Bond Index *	9.68%

* DEX Universe Bond Index (formerly, Scotia Capital Universe Bond Index) represents a broad selection of hundreds of Canadian corporate and government bonds including short-term, medium-term, and long-term issues.

Related party transactions

Ridgewood Capital Asset Management Inc. ("Ridgewood") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to the declaration of trust of the Fund dated November 27, 2009, as 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

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS"). The changeover plan was prepared to address the requirements and includes disclosures of the qualitative impact of the changeover to IFRS. The implementation of IFRS for investment funds has been delayed to January 1, 2014, with comparative financial statements for the year ending December 31, 2013.

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

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

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

Ridgewood Canadian Investment Grade Bond Fund

Management report on fund performance

For the year ended December 31, 2011

Future accounting policy changes (continued)

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

Forward-looking statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund actions, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

Ridgewood Canadian Investment Grade Bond Fund

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the financial statements.

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



John H. Simpson
Director
Ridgewood Capital Asset Management Inc.



Paul W. Meyer
Director
Ridgewood Capital Asset Management Inc.

March 22, 2012

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010 and the statements of financial operations, of changes in net assets and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants
March 16, 2012

Ridgewood Canadian Investment Grade Bond Fund

Statements of net assets
as at December 31, 2011 and 2010

	2011	2010
	\$	\$
Assets		
Cash	1,286,745	540,295
Investments at fair value (cost 2011 - \$95,804,118, 2010 - \$57,676,099)	95,945,215	58,666,008
Accrued interest receivable	759,830	296,068
	97,991,790	59,502,371
Liabilities		
Accrued expenses	449,003	46,722
Loans Payable (Note 7)	20,048,219	754,987
Liabilities for securities redeemed	-	4,433,099
	20,497,222	5,234,808
Total net assets and securityholders' equity	77,494,568	54,267,563
Total net assets and securityholders' equity, Class A		
	77,494,568	54,267,563
Units outstanding, Class A (Note 4)	7,076,807	4,519,435
Net assets per unit, Class A (Note 9)	10.95	12.01

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



John H. Simpson, CFA
Managing Director



Paul W. Meyer, CFA
Managing Director

See accompanying notes to financial statements.

Ridgewood Canadian Investment Grade Bond Fund

Statements of financial operations

for the years ended December 31, 2011 and 2010

	2011	2010
	\$	\$
Revenue		
Interest	4,294,767	3,861,376
Expenses		
Management fees (Note 5)	340,627	303,865
Audit fees	13,780	26,765
Independent Review Committee fees	22,333	16,850
Custodial fees	2,152	633
Legal fees	59,813	33,928
Securityholder reporting costs	33,171	38,976
Administration fees	175,416	142,153
Interest expense (Note 7)	222,013	87,906
	869,305	651,076
Net investment income for the year	3,425,462	3,210,300
Realized and unrealized gain (loss) on investments		
Net realized gain (loss)	(3,908,223)	1,786,759
Change in unrealized gain (loss)	(848,812)	1,978,911
Net gain (loss) on investments	(4,757,035)	3,765,670
Increase (decrease) in net assets from operations	(1,331,573)	6,975,970
Increase (decrease) in net assets from operations, Class A	(1,331,573)	6,975,970
Increase (decrease) in net assets from operations per Unit, Class A	(0.26)	1.51

See accompanying notes to financial statements.

Ridgewood Canadian Investment Grade Bond Fund

Statements of changes in net assets

for the years ended December 31, 2011 and 2010

	2011	2010
	\$	\$
Net assets, beginning of year	54,267,563	47,161,127
Increase (decrease) in net assets from operations	(1,331,573)	6,975,970
Capital transactions		
Issue Costs	(876,543)	(513,640)
Proceeds from the issuance of securities of the investment fund	30,384,440	8,504,000
Aggregate amounts paid on redemption of securities of the investment fund	(66,048)	(4,433,099)
Net transfer of securities from (to) other funds	-	-
Securities issued on reinvestment of distributions	-	-
Distributions:		
Net investment income	(2,167,049)	(3,426,795)
Realized gains on portfolio assets sold	-	-
Return of capital	(2,716,222)	-
Net assets at the end of the year	77,494,568	54,267,563

See accompanying notes to financial statements.

Ridgewood Canadian Investment Grade Bond Fund

Statements of cash flows

for the years ended December 31, 2011 and 2010

	2011	2010
	\$	\$
Net inflow (outflow) of cash related to the following activities		
Operating activities		
Increase (decrease) in net assets from operations	(1,331,573)	6,975,970
Adjustments to reconcile to operating cash flows:		
Purchase of investments	(173,358,787)	(99,640,710)
Proceeds from investments sold	135,230,768	89,421,064
Change in unrealized (gain) loss on investments	848,812	(1,978,911)
	(38,610,780)	(5,222,587)
Net change in non-cash operating working capital		
Change in accrued interest receivable	(463,762)	(60,171)
Change in accrued expenses	402,281	(5,376)
Cash flows used in operating activities	(38,672,261)	(5,288,134)
Financing activities		
Proceeds from issuance of units	30,384,440	8,504,000
Issue costs paid	(876,543)	(513,640)
Amount paid for securities redeemed	(4,499,147)	-
Distribution of net investment income	(2,167,049)	(3,426,795)
Distribution of return of capital	(2,716,222)	
Change in loan payable	19,293,232	754,987
Cash flows from financing activities	39,418,711	5,318,552
Increase in cash	746,450	30,418
Cash, beginning of period	540,295	509,877
Cash, end of period	1,286,745	540,295
Supplemental information		
Interest paid	222,013	87,906
Taxes paid	-	-

See accompanying notes to financial statements.

Ridgewood Canadian Investment Grade Bond

Statement of investment portfolio
as at December 31, 2011

Par value	Security	Average cost	Fair value	
		\$	\$	
Canadian Bonds (80.9%)				
Corporate Bonds (47.0%)				
3,000,000	Algonquin Power Co., Callable, 5.50%, 2018/07/25	3,094,500	3,068,866	
2,000,000	American Express Canada Credit Corp., 3.60%, 2016/06/03	2,045,000	2,034,539	
2,000,000	Bell Aliant Regional Communications L.P., Series '8', Callable, 4.88%, 2018/04/26	2,120,000	2,110,142	
1,075,000	Canada Life Capital Trust, Series 'B', Callable, 7.53%, 2032/06/30	1,351,275	1,267,912	
3,000,000	CIBC Capital Trust, Series 'A', Callable, 9.98%, 2019/06/30 *	3,945,120	3,734,058	
2,500,000	CIBC Capital Trust, Callable, 10.20%, 2039/06/30 *	3,654,750	3,181,580	
2,500,000	Home Capital Group Inc., Callable, 5.20%, 2016/05/04 *	2,557,000	2,600,698	
1,750,000	Industrial Alliance Insurance and Financial Services Inc, Variable Rate, Callable, 4.75%, 2021/12/14	1,767,500	1,772,371	
4,580,000	Manulife Financial Capital Trust II, Series '1', Variable Rate, Callable, 7.41%, 2019/12/31 *	5,261,403	4,979,215	
2,000,000	Shaw Communications Inc., Callable, 6.75%, 2039/11/09	2,090,000	2,083,905	
3,500,000	Sun Life Financial Inc., Callable, 4.57%, 2021/08/23 *	3,533,500	3,487,212	
2,100,000	TD Capital Trust IV, Variable Rate, Callable, 6.63%, 2021/06/30	2,394,420	2,379,288	
1,750,000	TD Capital Trust IV, Perpetual, Callable, 10.00%, 2039/06/30	2,357,005	2,379,601	
1,342,000	TransAlta Corp., 6.90%, 2030/11/15 *	1,390,949	1,395,670	
		37,562,422	36,475,057	46.97%
Asset-Backed Securities (29.8%) (ABS)				
3,100,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2011-1', Callable, 5.35%, 2021/02/12	2,899,833	3,164,806	
4,000,000	Merrill Lynch Financial Asset Inc., Class 'AJ', Series '2007-CA23', Variable Rate, Callable, 5.62%, 2017/08/12	3,439,150	4,144,000	
4,676,000	Merrill Lynch Financial Asset Inc., Class 'B', Series '2007-CDA23', Variable Rate, 5.62%, 2017/08/12	3,619,692	4,678,338	
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2006-CA19', Callable, 5.53%, 2039/06/12	4,577,500	4,834,650	
4,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA22', Variable Rate, Callable, 5.22%, 2049/03/12	3,120,000	3,176,000	
3,155,000	Real Estate Asset Liquidity Trust, Class 'D1', Series '2005-2', Variable Rate, Callable, 5.18%, 2015/10/12	2,987,244	3,059,977	
		20,643,419	23,057,771	29.75%
Provincial Bonds & Guarantees (4.1%)				
2,000,000	Nova Scotia Power Inc., Series 'L', 8.30%, 2036/03/21 *	2,995,400	3,142,500	4.06%
Total Canadian Bonds and ABS		61,201,241	62,675,328	80.88%
U.S. Bonds (33.6%)				
Corporate Bonds (33.6%)				
2,000,000	Citigroup Inc., Variable Rate, 4.65%, 2022/10/11	1,846,400	1,772,652	
6,000,000	Citigroup Inc., Variable Rate, Callable, 5.16%, 2027/05/24 *	5,031,640	4,826,315	
7,000,000	Citigroup Inc., 5.37%, 2036/03/06 *	5,685,208	5,037,210	
4,000,000	Goldman Sachs Group Inc. (The), 5.00%, 2018/05/03 *	3,811,200	3,752,553	
1,000,000	Goldman Sachs Group Inc. (The), Variable Rate, Callable, 5.20%, 2022/04/19	875,500	869,581	
3,000,000	JPMorgan Chase & Co., Variable Rate, Callable, 5.06%, 2021/02/22	2,822,690	2,929,538	
4,750,000	Merrill Lynch & Co. Inc., Variable Rate, Callable, 5.29%, 2022/05/30	4,552,769	4,126,716	
3,000,000	Morgan Stanley, Series 'F', Callable, 4.90%, 2017/02/23	2,747,920	2,740,425	
		27,373,327	26,054,990	33.62%
Total U.S. Bonds		27,373,327	26,054,990	33.62%
Global Bonds (9.3%)				
Corporate Bonds (9.3%)				
3,000,000	* Lloyds TSB Bank PLC, 5.28%, 2016/04/19	2,973,300	2,906,147	
4,500,000	Lloyds TSB Bank PLC, Callable, 10.10%, 2021/12/16	4,256,250	4,308,750	
		7,229,550	7,214,897	9.31%
Total Global Bonds		7,229,550	7,214,897	9.31%
Total Investment Portfolio (123.8%)		95,804,118	95,945,215	123.81%
Cash and cash equivalents (1.7%)			1,286,745	1.66%
Other assets less liabilities (-25.5%)			(19,737,392)	-25.47%
Net assets at fair value (100.0%)			77,494,568	100.00%

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

See accompanying notes to financial statements.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the financial statements

December 31, 2011 and 2010

1. Establishment of the Fund

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

Ridgewood is also the investment manager and distributor of units of the Fund. CIBC Mellon Trust Company is the custodian, transfer agent and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The Fund commenced operations on December 18, 2009.

2. Investment objective of the Fund

The investment objective of the Fund is to achieve a high level of income, consistent with the preservation of capital and liquidity, from a portfolio of fixed income securities. The Fund is invested primarily in liquid Canadian federal and provincial government securities and those of Canadian corporations rated "BBB" or better by Canadian Bond Rating Service Limited or Dominion Bond Rating Service Limited or other recognized rating agency. The Fund may also invest in comparable fixed income securities of foreign issuers. Assets of the Fund may also be held in interest-bearing accounts at a bank or trust company, including the custodian, invested in guaranteed investment certificates or invested in Canadian short-term debt obligations.

3. Summary of significant accounting policies

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

Capital disclosures

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

Valuation of investments

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

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

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

Securities are valued at fair value, which is based on quoted market values from securities dealers. If no bid prices are available, the securities are valued at the closing price.

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

Cash and cash equivalents consist of cash and liquid investments with terms of maturity at the date of acquisition of 90 days or less, and are recorded at cost.

Income recognition

Interest income is recognized on an accrual basis.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the financial statements

December 31, 2011 and 2010

3. Summary of significant accounting policies (continued)

Financial Instruments - Disclosures

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

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

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

Please see Note 11 for these disclosures.

4. Unitholders' equity

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

Following are the unit transactions during the year:

December 31, 2011

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

December 31, 2010

	2010
Units outstanding, beginning of year	4,200,000
Units issued for cash	687,000
Units redeemed	(367,565)
Units issued on reinvestment of distributions	-
Units outstanding, end of year	4,519,435

Ridgewood Canadian Investment Grade Bond Fund

Notes to the financial statements

December 31, 2011 and 2010

5. Management fees and expenses

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

6. Distributions

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

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

7. Loans payable

The Fund has a margin account held at Scotiabank which requires collateral against loans (see Statement of Investments). The Fund can borrow an amount up to 25% of the total assets of the Fund. Total interest and bank fees on the account were \$222,013 for the year (2010 - \$87,906). The account is charged interest based on Bloomberg Ticker Reference plus 70bps on debit spread or minus 25 bps on credit spread. As at December 31, 2011 the balance of the account was \$20,048,219 (2010 - \$754,987). During the year the maximum amount borrowed was \$32,579,177 (2010 - \$13,810,892) and the minimum amount borrowed was \$754,987 (2010 - \$Nil). If interest rates had increased/decreased by 100 basis points interest expensed would have changed by approximately \$200,482 (2010 - \$64,200).

8. Income taxes

The Fund qualifies as a "mutual fund trust" under the Income Tax Act (Canada). The Fund uses the "capital gains refund mechanism" which allows a mutual fund trust to retain some capital gains without paying any tax thereon. As a result, the Fund may not distribute all 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, 2011 taxation year-end, there are \$3,824,873 capital losses and no non-capital losses are available for carryforward.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the financial statements

December 31, 2011 and 2010

9. Net Asset Value and Net Assets

The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value be calculated in accordance with Canadian GAAP. As a result of the amendments, the Net Asset Value of the Fund will continue to be calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). The adoption of these new rules will result in a different Net Assets per unit for financial reporting purposes and Net Asset Value per unit due to the use of different valuation techniques. The Net Asset Value per unit at December 31, 2011 is as follows:

	December 31, 2011
	\$
Net Asset Value	10.98
Difference	(0.03)
Net Assets	10.95
	December 31, 2010
	\$
Net Asset Value	12.04
Difference	(0.03)
Net Assets	12.01

10. Financial instruments and risk management

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

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

Interest rate risk

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

Since the loan payable is a short-term obligation the interest rate sensitivity is minimal.

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

As at December 31, 2011:

	Less than 1 month	1 - 3 months	3 months - 1 year
Loan payable	\$	\$	\$
Interest Rate Exposure	20,048,219		-
	1 - 3 years	3 - 5 years	More than 5 years
Investments	\$	\$	\$
Interest Rate Exposure	-	10,601,361	85,343,854

Ridgewood Canadian Investment Grade Bond Fund

Notes to the financial statements

December 31, 2011 and 2010

10. Financial instruments and risk management (continued)

Interest rate risk (continued)

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

As at December 31, 2010:

	Less than 1 month	1 - 3 months	3 months - 1 year
	\$	\$	\$
Loan payable			
Interest Rate Exposure	754,987		-

	1-3 years	3-5 years	More than 5 years
	\$	\$	\$
Investments			
Interest Rate Exposure	2,000,067		56,665,941

	Non interest bearing	Total
	\$	\$
Interest Rate Exposure	-	58,666,008

At December 31, 2011, 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 \$5.8 million (2010 - \$4.1 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 \$5.8 million (2010 - \$4.1 million).

Credit risk

Financial instruments that potentially subject the Fund to a concentration of a credit risk consist primarily of cash and cash equivalents and investments. The Fund limits its exposure to credit loss by placing its cash and cash equivalents 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 short-term debt securities.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the financial statements

December 31, 2011 and 2010

10. Financial instruments and risk management (continued)

Interest rate risk (continued)

The Fund invests in financial assets, which have an investment grade as rated by Dominion Bond Rating Service Limited.

Portfolio by rating category

December 31, 2011

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

Portfolio by rating category

December 31, 2010

Rating	As a % of Net Assets
AAA/Aaa	17.00%
AA/Aa	9.19%
A/A	34.15%
BBB/Baa	47.76%
Total	108.11%

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

Currency risk

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

Liquidity risk

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

The Fund has cash of approximately \$1.3 million (2010 - \$0.5 million) so redemption requests can be readily facilitated. The Fund's accrued liabilities of approximately \$20.5 million (2010 - \$4.3 million) are generally due and paid within three months.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the financial statements

December 31, 2011 and 2010

11. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's financial assets and liabilities recorded at fair value have been categorized based upon the fair value hierarchy described in Note 3. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2011 and December 31, 2010.

Financial Assets at fair value as of December 31, 2011				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	72,887,444	-	72,887,444
Asset-backed securities	-	23,057,771	-	23,057,771
Cash	-	1,286,745	-	1,286,745
Loan payable	-	(20,048,219)	-	(20,048,219)
Total	-	77,183,741	-	77,183,741

Financial Assets at fair value as of December 31, 2010				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	44,452,178	-	44,452,178
Asset-backed securities	-	14,213,830	-	14,213,830
Cash	-	540,295	-	540,295
Loan payable	-	(754,987)	-	(754,987)
Total	-	58,451,316	-	58,451,316

12. Future accounting policy changes

Transition to International Financial Reporting Standards

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

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Investment Grade Bond Fund

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