Ridgewood Canadian Bond Fund

Annual Report 2013

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MESSAGE TO UNITHOLDERS

The bond market was challenging in 2013 as economic growth continued with positive momentum in the first quarter. Investors began to diversify their assets from bonds and into stocks in a noticeable way for the first time since the debt crisis in 2008. Although Government bonds exhibited negative returns, risk assets performed well. Corporate bonds in the lower rated tiers would fall into this category and is an area that we focus on.

The second quarter was the worst quarter for bonds as 10 year yields rose more than 50 basis points in Canada and 60 basis points in the U.S. Higher rated investment grade bonds performed poorly as AA and higher credits are highly correlated to Government bonds. The trend of Canada outperforming the U.S. continued throughout 2013 as debt issuance and inflation are considerably lower here than they are south of the border. Canada also continues to benefit from its "safe haven" status and the fact that it is one of a handful of countries that is rated AAA.

The Canadian central bank was rather quiet as it is 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. They are still 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 a continuation of the rising rates in Government bonds as investors began to price in the FOMC reducing its asset purchases by the end of the year. Investors were more focused on longer term trends in the economy and earnings and not reacting to every political speech out of Europe. Inflation was stable for the entire year and economic growth continued to support risk assets and therefore corporate bond investors were well compensated during 2013. In particular, the lowest rated corporate bonds were among the top performing sectors of the bond market, a trend we believe will continue going forward.

March 2014

For the year ended December 31, 2013

Management Report on Fund Performance

This Management Report on Fund Performance has been prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) and contains the financial highlights of Ridgewood Canadian 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 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 or by visiting our website at www.ridgewoodcapital.ca.

Investment Objectives and Strategies

The Fund seeks to achieve a high level of income consistent with the preservation of capital and liquidity, from a portfolio of fixed income securities. The Fund invests primarily in liquid Canadian federal and provincial government securities and those of Canadian corporations rated "BBB" or better by the Dominion Bond Rating Service Limited or other recognized rating agencies. The Fund may also invest in comparable fixed income securities of foreign issuers.

The portfolio manager uses the following investment strategies to try to achieve the Fund's objective:

- Managing the portfolio to take advantage of changing levels of interest rates and to capitalize on yield disparities between various issuers of debt securities; and
- Choosing many different investment terms based on the interest rate outlook.

The Fund may invest in foreign securities from time to time. The amount of such foreign investments will vary but is not typically expected to exceed 20 percent of the net assets of the Fund at the time that such foreign securities are purchased.

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 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 2014 to begin normalizing lending costs. This action could have an impact on fixed income securities particularly in the 1-5 year area of the bond market. In a rising interest rate environment, bond prices will move down and the income generated by bonds may not be greater that the decrease in the price.

Summary of Investment Portfolio

The summary of 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.

Asset Mix

December 31, 2013

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	49.8	Provincial Bonds	21.8
Federal Bonds	19.7	Municipal Bonds	6.9
Cash & Short-Term Investments	1.8		

For the year ended December 31, 2013

Top 25 holdings

		% of Total Net Asset Value
1.	Canadian Government Bond, 1.50%, 2023/06/01	11.6%
2.	Merrill Lynch Financial Assets Inc., C22 2017/05/12	11.2%
3.	Merrill Lynch Financial Assets Inc., C20 C 2016/10/12	10.4%
4.	Province of New Brunswick 2.850%, 2023/06/02	10.2%
5.	Merrill Lynch Financial Assets Inc., C21 D 2017/01/12	8.6%
6.	Merrill Lynch Financial Assets Inc., C23 D1 2017/08/12	8.2%
7.	Province of Manitoba 3.35%, 2043/03/05	7.5%
8.	Omers Realty 3.666%, 2022/12/05	7.1%
9.	Canadian Government Bond, 4.000%, 2041/06/01	6.1%
10.	Merrill Lynch & Co., Inc., 5.290%, 2022/05/30	4.4%
11.	British Columbia 3.300%, 2023/12/18	4.3%
12.	New Brunswick Municipal Finance 2024/11/30	3.2%
13.	New Brunswick Municipal Finance 2023/11/30	3.2%
14.	Commercial Mortgaged Backed Securities (CMBS) 2.05%, 2018/06/15	2.2%
15.	Canada Treasury Bill 2014/07/03	1.8%
	Total	**100.0%**

Results of operations

For the year ended December 31, 2013, the net asset value of the Fund was $10.99 per unit compared to $11.25 per unit at December 31, 2012.

Net income and net capital gains of the Fund may be distributed to unitholders of the Fund from time to time at the discretion of Ridgewood. Sufficient distributions will be made each year so the Fund will not be liable for income tax. Distributions totaling $0.31 per unit were made to unitholders during the year.

For the year ended December 31, 2012, the Fund had an annual compound return of 0.67% net of fees of 1.14% (including HST) while the DEX Universe Bond Index had a return of -1.19%. In 2013 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 be range bound in 2014 as inflation remains well contained.

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 is derived from the Fund's audited annual financial statements. All other calculations for the purposes of this MRFP are made using Net Asset Value.

Information for the year ended December 31, 2013 is derived from the Fund's audited financial statements. For December 31, 2013, the Net Assets included in the Net Assets per Unit table is from the Fund's audited financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of the MRFP are made using Net Asset Value.

Ridgewood Canadian Bond Fund
Management Report on Fund Performance

For the year ended December 31, 2013

	Years ended December 31				
	2013	2012	2011	2010	2009
	$	$	$	$	$
The Fund's net assets per unit					
Net assets, beginning of year (1)	**11.24**	10.75	11.26	11.14	10.38
Increase (decrease) from operations					
Total revenue	**0.43**	0.45	0.58	0.66	0.58
Total expenses	**(0.13)**	(0.12)	(0.13)	(0.14)	(0.13)
Realized gain (loss) for the year	**(0.03)**	0.46	(0.65)	0.28	0.72
Unrealized gain (loss) for the year	**(0.20)**	0.06	(0.09)	0.07	0.18
Total increase (decrease) from operations (2)	**0.07**	0.85	(0.29)	0.87	1.35
Distributions to unitholders					
From taxable income	**(0.31)**	(0.35)	(0.45)	(0.51)	(0.44)
From capital gains	**-**	-	-	(0.31)	(0.22)
Total distributions (3)	**(0.31)**	(0.35)	(0.45)	(0.82)	(0.66)
Net assets, end of year (1)	**10.99**	11.24	10.75	11.26	11.14

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio is the ratio of all fees and expenses, including harmonized sales taxes but excluding transaction fees charged to the Fund to the average net assets.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its 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 period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(4) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.

	2013	2012	2011	2010	2009
Ratios/supplemental data					
Net Asset Value, end of year ($millions) (1)	**$ 46.30**	$ 107.26	$ 152.24	$ 136.68	$ 87.88
Number of units outstanding (1)	**4,211,098**	9,531,017	14,141,272	12,101,350	7,867,379
Management expense ratio (including HST) (2)	**1.14%**	1.10%	1.11%	1.12%	1.07%
Management expense ratio including expenses absorbed by the Manager	**1.14%**	1.10%	1.11%	1.12%	1.24%
Portfolio turnover rate (3)	**320.83%**	355.13%	470.50%	171.54%	272.92%
Net Asset Value per unit, end of year (4)	**$ 10.99**	$ 11.25	$ 10.77	$ 11.29	$ 11.17

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio is the ratio of all fees and expenses, including harmonized sales taxes but excluding transaction fees charged to the Fund to the average net assets.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its 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 period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(4) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.

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 1.00% (excluding HST) of the weighted average net asset value of the Fund less ordinary expenses 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 Master 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 rose slightly in 2013 as economic recovery began to gain traction. The Bank of Canada is still concerned about low inflation and relatively high unemployment and will therefore keep rates low in 2014. Given recent statements from the Bank of Canada it appears that no interest rate increases are expected this year. 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:

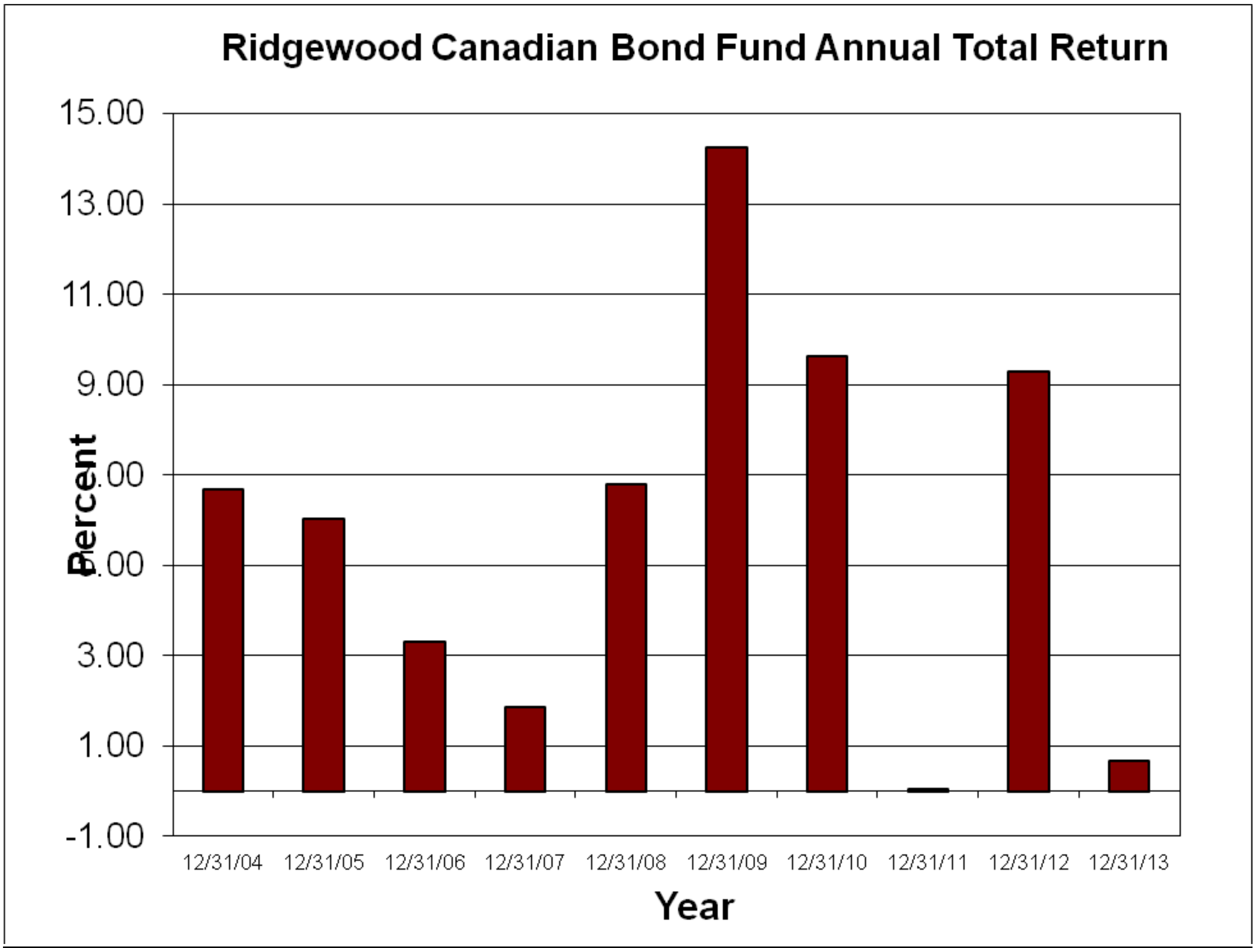
- the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund;
- the return or performance information does not take into account optional charges or income taxes payable that would have reduced returns 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 ten years has varied from year to year. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of that fiscal year.

For the year ended December 31, 2013

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (net of fees of 1.14%, including HST) for the periods ended December 31 as compared to the performance of the DEX Universe Bond Index.

	One Year	Three Years	Five Years	Ten Years
Ridgewood Canadian Bond Fund	**0.67%**	3.25%	6.63%	5.77%
DEX Universe Bond Index *	**-1.19%**	3.94%	4.79%	5.16%

* 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 a Master Investment Management Agreement made between Ridgewood in its capacity as investment advisor and Ridgewood in its capacity as trustee dated September 1, 2008.

Ridgewood is the Manager and Trustee of the Fund pursuant to a Declaration of Trust dated September 1, 2008, 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.

For the period January 1 to December 31, 2013, members of the IRC were 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, 2013, the Manager-Trustee has developed a changeover plan to meet the timetable published by the CPA Canada for changeover to IFRS. The key elements of the plan include assessing the differences between current accounting policies and those it expects to apply under IFRS, assessing the impact, if any, on net asset value per units changes in accounting policies, business and reporting processes, information technology, internal controls and training requirements.

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.

Future-looking statements

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

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

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

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

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

John H. Simpson
Director
Ridgewood Capital Asset Management Inc.

Paul W. Meyer
Director
Ridgewood Capital Asset Management Inc.

March 27, 2014

Deloitte.

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Canada

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2013, the statements of net assets as at December 31, 2013 and 2012 and the statements of financial operations, statements of changes in net assets and statements of (loss) gain on sale of investments 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, 2013 and 2012, and the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 27, 2014

Ridgewood Canadian Bond Fund

Statements of net assets
As at December 31, 2013 and 2012

	2013	2012
Assets	$	$
Investments at fair value (cost 2013 - $44,979,737; cost 2012 - $83,635,488)	45,494,593	85,533,733
Short-term investments at fair value (cost 2013 - $815,629; cost 2012 - $21,535,263)	816,089	21,538,344
Cash	69,674	349,999
Accrued interest and dividend receivable	174,207	377,989
Subscriptions receivable	9,927	63,500
Prepaid fees	4,894	4,734
	46,569,384	107,868,299
Liabilities		
Accrued liabilities	83,163	162,096
Distributions payable	-	238,275
Redemptions payable	216,260	298,386
	299,423	698,757
Net assets, represented by unitholders' equity	46,269,961	107,169,542
Number of units outstanding (Note 4)	4,211,098	9,531,017
Net assets per unit	10.9876	11.2443

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

Director
John H. Simpson, CFA

Director
Paul W. Meyer, CFA

Statements of financial operations
For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Revenue		
Interest	2,964,723	5,359,000
	2,964,723	5,359,000
Expenses (Note 5)		
Management fees	645,598	1,112,853
HST expense	82,557	139,591
Administrative and other expenses	44,086	114,550
Custodian fees	62,771	70,882
Audit fees	25,003	24,541
Independent review committee fees	17,567	17,567
Legal fees	4,828	13,881
	882,410	1,493,865
Net investment income	2,082,313	3,865,135
(Loss) gain on sale of investments	(221,742)	5,542,188
Change in unrealized (depreciation) appreciation of investments	(1,386,007)	758,783
Net (loss) gain on investments	(1,607,749)	6,300,971
Increase in net assets from operations	474,564	10,166,106
Increase in net assets from operations per unit (based on weighted average number of units outstanding during the year - 6,919,206; 2012 - 11,987,629)	0.0686	0.8480

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

Ridgewood Canadian Bond Fund

Statements of changes in net assets
For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Net assets, beginning of year	107,169,542	152,020,591
Unit Transactions (Note 4)		
Proceeds from units issued	11,182,542	32,178,323
Amount paid for units redeemed	(72,540,053)	(86,767,080)
Reinvestment of distributions	2,107,139	3,808,146
	(59,250,372)	(50,780,611)
Increase in net assets from operations	474,564	10,166,106
Distributions to unitholders (Note 6)		
From net investment income	(2,123,773)	(3,917,627)
From return of capital	-	(318,917)
	(2,123,773)	(4,236,544)
Changes in net assets during the year	(60,899,581)	(44,851,049)
Net assets, end of year	46,269,961	107,169,542

Statements of (loss) gain on sale of investments
For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Proceeds from sale of investments	277,869,157	470,181,010
Cost of investments sold		
Cost of investments, beginning of year	83,635,488	124,130,770
Cost of investments purchased	239,435,148	424,143,540
	323,070,636	548,274,310
Cost of investments, end of year	(44,979,737)	(83,635,488)
	278,090,899	464,638,822
(Loss) Gain on sale of investments	(221,742)	5,542,188

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

Ridgewood Canadian Bond Fund
Statement of investments
As at December 31, 2013

Par Value		Average Cost $	Fair Value $	% of Portfolio
Short-term Investments				
Treasury Bills				
820000	Canadian Treasury Bill, 0.946%, July 03, 2014	815,629	816,089	1.76%
Investments				
Federal Bonds				
1000000	Canada Housing Trust No.1, 2.050%, June 15, 2018	998,780	999,384	
6000000	Canadian Government Bond, 1.500%, June 01, 2023	5,460,199	5,371,420	
2500000	Canadian Government Bond, 4.000%, June 1, 2041	2,883,412	2,843,797	
Total Federal Bonds		9,342,391	9,214,601	19.92%
Provincial Bonds				
2000000	Province of British Columbia, 3.300%, December 18, 2023	1,948,640	1,975,718	
4000000	Province of Manitoba, 3.350%, March 05, 2043	4,006,000	3,491,748	
5000000	Province of New Brunswick, 2.850%, June 02, 2023	4,970,800	4,716,555	
Total Provincial Bonds		10,925,440	10,184,021	22.02%
Municipal Bonds				
1597000	New Brunswick Municipal Finance Corp., 3.200%, November 30, 2023	1,585,278	1,464,719	
1633000	New Brunswick Municipal Finance Corp., 3.300%, November 30, 2024	1,621,798	1,489,018	
Total Municipal Bonds		3,207,076	2,953,737	6.38%
Corporate Bonds				
2000000	Merrill Lynch & Co., Inc., 5.290%, May 30, 2022	2,032,480	2,044,815	
3434398	OMERS Realty Corp., 3.666%, December 05, 2022	3,434,398	3,305,917	
Total Corporate Bonds		5,466,878	5,350,732	11.56%
Mortgage Backed Securities				
4690000	Merrill Lynch Financial Assets Inc., 5.096%, October 12, 2016	4,764,102	4,829,293	
4000000	Merrill Lynch Financial Assets Inc., 5.192%, January 12, 2017	3,718,200	3,991,200	
3710000	Merrill Lynch Financial Assets Inc., 5.733%, August 12, 2017	3,507,249	3,779,377	
5188000	Merrill Lynch Financial Assets Inc., 5.219%, May 12, 2017	4,048,401	5,191,632	
Total Mortgage Backed Securities		16,037,952	17,791,502	38.45%
Total Bonds and Mortgage Backed Securities		44,979,737	45,494,593	98.33%
Total Investments		45,795,366	46,310,682	100.09%
Cash and other assets, net of liabilities			(40,721)	-0.09%
Net assets			46,269,961	100.00%

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

1. Establishment of the Fund

Ridgewood Canadian Bond Fund (the "Fund") is an open-end trust existing under the laws of the Province of Ontario and governed by an amended and restated Master Declaration of Trust dated September 1, 2008, executed by Ridgewood Capital Asset Management Inc. ("Ridgewood" or the "Manager") in its separate capacities as manager and trustee of the Fund, and a Fund Declaration dated February 18, 1999, as amended on September 1, 2008. The Fund began operations on February 19, 1999.

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

2. Investment objective of the Fund

The investment objective of the Fund is to achieve a high level of income, 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 agencies. 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 made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The following is a summary of the significant accounting policies.

Capital Disclosures

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

Valuation of Investments

The Fund follows Part V – Pre-changeover accounting standards of the Chartered Professional Accountants of Canada Handbook – Accounting ("CPA Canada Handbook – Part V") Section 3855, "Financial Instruments - Recognition & Measurement". The standard requires that the fair value of securities which are traded in active markets be measured based on bid price.

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

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

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

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

Cash is comprised of cash on deposit.

Income Recognition

Interest income is recognized on an accrual basis.

3. Summary of significant accounting policies (continued)

Financial Instruments - Disclosures

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

Section 3862 of the CPA Canada Handbook – Part V, 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 10 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:

	2013	2012
Units outstanding, beginning of year	**9,531,017**	14,141,272
Units issued for cash	**1,000,104**	2,920,120
Units redeemed	**(6,509,092)**	(7,875,717)
Units issued on reinvestment of distributions	**189,069**	345,342
Units outstanding, end of year	**4,211,098**	9,531,017

5. Management fees and expenses

Ridgewood is entitled to an annual management fee payable out of the assets of the Fund. The maximum management fee is equal to 1.00% (excluding HST) of the weighted average net asset value of the Fund less ordinary expenses of the Fund (the "Maximum Ordinary Expenses"). The Maximum Ordinary Expenses acts as a cap on the management fee and ordinary expenses of the Fund.

5. Management fees and expenses (continued)

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

6. Distributions

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

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

7. Income taxes

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

As at December 31, 2013, capital losses of $3,831,180 (2012 - $4,248,302) are available for utilization against realized gains on sales of investments in future years. The capital losses can be carried forward indefinitely. The Fund has no non-capital losses.

8. Net Asset Value and Net Assets

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

	2013	2012
	$	**$**
Net Asset Value	**10.99**	11.25
Net Assets	**10.99**	11.24

9. Financial instruments and risk management

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

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

Interest Rate Risk

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

9. Financial instruments and risk management (continued)

Interest Rate Risk (continued)

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, 2013

	Less than 1 month	**1 - 3 months**	**3 months - 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**	**Non Interest bearing**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Interest Rate Exposure	**-**	**-**	**816,089**	**-**	**999,383**	**44,495,210**	**-**	**46,310,682**

As at December 31, 2012

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 3 years	3 - 5 years	More than 5 years	Non Interest bearing	Total
	$	$	$	$	$	$	$	$
Interest Rate Exposure		-	21,538,344	1,012,907	10,365,315	74,155,511	-	107,072,077

At December 31, 2013, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the period would amount to approximately $3.1 million (December 31, 2012 - $7.6 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 $3.1 million (December 31, 2012 - $7.6 million).

Credit Risk

Financial instruments that potentially subject the Fund to a concentration of a credit risk consist primarily of cash and investments. The Fund limits its exposure to credit loss by placing its cash and short-term investments with high quality government and financial institutions. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund's main credit risk concentration is spread between AAA/aaa and BBB/Baa rated securities.

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

9. Financial instruments and risk management (continued)

Credit Risk (continued)

Portfolio by rating category

Rating	**December 31, 2013 As a % of net assets**
AAA/Aaa	**25.94%**
AA/Aa	**14.69%**
A/A	**27.02%**
BBB/Baa	**32.44%**
Unrated	**0.00%**
Total	**100.09%**

Portfolio by rating category

Rating	December 31, 2012 As a % of net assets
AAA/Aaa	47.74%
AA/Aa	6.47%
A/A	15.38%
BBB/Baa	30.32%
Unrated	0.00%
Total	99.91%

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, so there is no currency risk.

Liquidity Risk

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

The Fund’s short-term investments of approximately $0.8 million (2012 - $21.5 million) are invested in Canadian Government treasury bills with less than 120 days to maturity, so redemption requests can be readily facilitated. The Fund’s accrued liabilities are generally due and paid within three months.

10. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's assets 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, 2013 and 2012.

				Financial assets at fair value as of December 31, 2013
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	**69,674**	**-**	**-**	**69,674**
Bonds	**-**	**27,703,091**	**-**	**27,703,091**
Mortgage Backed Securities (MBS)	**-**	**17,791,502**	**-**	**17,791,502**
Short Term Investments	**-**	**816,089**	**-**	**816,089**
	69,674	**46,310,682**	**-**	**46,380,356**

				Financial assets at fair value as of December 31, 2012
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	349,999	-	-	349,999
Bonds	-	57,526,301	-	57,526,301
Mortgage Backed Securities (MBS)	-	28,007,432	-	28,007,432
Short term Investments	-	21,538,344	-	21,538,344
	349,999	107,072,077	-	107,422,076

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, 2013 and 2012. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2013 and 2012.

11. Recent Accounting Pronouncements

The Canadian Accounting Standards Board ("AcSB") previously confirmed that effective January 1, 2014, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. Since the initial announcement, the AcSB has approved deferrals from IFRS adoption for investment entities currently applying Accounting Guideline 18 "Investment Companies" issued by the CPA Canada. Investment Companies will now be required to mandatorily adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. Accordingly, IFRS will be applicable for the Funds for fiscal years ending December 31, 2014 and beyond.

The Funds will be adopting IFRS for the fiscal year beginning on January 1, 2014.

As at December 31, 2013, the Manager-Trustee has developed a changeover plan to meet the timetable published by the CPA Canada for changeover to IFRS. The key elements of the plan include assessing the differences between current accounting policies and those it expects to apply under IFRS, assessing the impact, if any, on net asset value per units changes in accounting policies, business and reporting processes, information technology, internal controls and training requirements.

11. Recent Accounting Pronouncements (continued)

Based on the Manager-Trustee's current evaluation of the differences between Canadian GAAP and IFRS, the Manager-Trustee does not expect that the Net Assets or NAV per unit will be impacted by the changeover to IFRS, with the exception of the implementation of IFRS 13 (described below). Currently, the Manager-Trustee expects that the impact of IFRS on the Funds' financial statements will result in additional disclosures and potentially different presentation of unitholder interests and certain other items.

In August 2011, the International Accounting Standards Board ("IASB") issued an exposure draft ("ED") "Investment Entities" in response to IFRS 10 "Consolidated Financial Statements" (IFRS 10 replaced IAS 27). The ED proposes criteria for an entity to qualify as an investment entity and exempts such entities from consolidation requirements.
The investment entity would be required to measure investments in controlled entities at fair value through profit and loss in accordance with IAS 39 "Financial Instruments" and expand disclosures in accordance with IFRS 12 "Disclosure of Interests in Other Entities" to help users evaluate the nature and financial effects of its investments activities. In October 2012, the IASB issued an amendment to "Investment Entities", providing an exception to the consolidation requirement in IFRS 10 and setting out disclosure requirements for investment entities. The amendment will be effective January 1, 2014.

Based on the Manager-Trustee's assessment of the accounting differences between Canadian GAAP and IFRS, the following areas of differences were identified:

(a) IAS 32, Financial Instruments: Disclosure and Presentation, may require unitholders' equity to be classified as a liability unless certain conditions are met. The Manager-Trustee is currently assessing the Funds' unitholder structure to determine proper classification.

(b) A Statement of Cash Flows will be required.

(c) IFRS 13 "Fair Value Measurements" was published in May 2011 which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. If an asset or liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. This may result in the elimination of the differences between the Net Assets and the NAV per unit at the financial statements reporting dates. The Manager-Trustee is currently assessing the guidance to determine an appropriate approach and has not identified any changes that will impact NAV per unit.

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Bond Fund

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