



## **Ridgewood Canadian Bond Fund**

Interim Financial Report (Unaudited)  
For the six months ended June 30, 2022

**Ridgewood Canadian Bond Fund**  
**Interim Financial Report (Unaudited)**

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## Message to Unitholders

It was a very challenging first half of 2022 as elevated inflation rates resulted in both the US Federal reserve and the Bank of Canada raising rates by 225 bp each so far this year. Supply chain disruptions continue to persist, with further bottlenecks developing as a result of the war in Ukraine. With no resolution in the near term, the market has been in search for clarity in terms of a timeline for global central banks ending their tightening bias. Corporate bonds continue to perform well in this environment as they provide an additional yield over very low yielding Government bonds.

During the first quarter, the bond market experienced a decline of 6.97% as investors grew more concerned about significant interest rate increases. The top 2 performing sectors were Canadian Sovereign and Corporates with returns of -5.55% and -6.45%. Within Corporates, higher rated issuers had the best performance at -3.67% (Corporate AAA/AA). Since Canada has a significant exposure to energy, the S&P/TSX returned 3.84% for the quarter.

In the second quarter, both stocks and bonds had negative returns. With the heightened concerns of a global slowdown, the energy sector in Canada became more over valued resulting in a lower return for the S&P/TSX of -13.43%. With the continued tightening of monetary policy, the bond markets had a negative return of 5.66%. Once again, higher rated corporate debt outperformed the benchmark with a return of -2.22%.

The FTSE Canada Universe Bond Index returned -12.23% year to date while the Corporate Bond Index returned -10.97%. Government of Canada bonds were the strongest sector, returning -9.47% which is expected given the increased volatility. It was also the case that Corporate AAA/AA bonds returned -5.81%, primarily due to characteristics of the index, which has a shorter than average duration. Higher quality corporate bonds will likely continue to outperform in the second half as the economy continues to slow with additional interest rate hikes from the Central banks. The yield curve has flattened with 2- and 10-year bonds offering similar rates. We are comfortable remaining fully invested and overweight in BBB corporate bonds.

## **Ridgewood Canadian Bond Fund**

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Interim Financial Report 2022 (Unaudited)

### **UNAUDITED INTERIM REPORT STATEMENT**

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

# Ridgewood Canadian Bond Fund

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

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



John H. Simpson  
Director  
Ridgewood Capital Asset Management Inc.



Paul W. Meyer  
Director  
Ridgewood Capital Asset Management Inc.

August 23, 2022

## Ridgewood Canadian Bond Fund

### STATEMENTS OF FINANCIAL POSITION

As at June 30, 2022 (Unaudited) and December 31, 2021

|   | 30-Jun-22          | 31-Dec-21          |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Assets</b>   |                    |                    |
| Financial assets at fair value through profit or loss<br>(Cost: 30-Jun-22 - \$111,494,939; 31-Dec-21 - \$131,902,161) | 100,550,091        | 134,768,452        |
| Short-term investments at fair value<br>(Cost: 30-Jun-22 - \$16,146,069; 31-Dec-21 - \$0)                             | 16,146,069         | -                  |
| Cash  | 75,590             | 890,325            |
| Accrued interest receivable   | 652,360            | 722,726            |
| Subscriptions receivable  | 25,000             | 29,718             |
| <b>Total Assets</b>   | <b>117,449,110</b> | <b>136,411,221</b> |
| <b>Liabilities</b>  |                    |                    |
| Accrued expenses  | 37,937             | 50,328             |
| Due to Brokers  | 1,215,542          | -                  |
| Redemptions payable   | 3,005              | 12,364             |
| <b>Total Liabilities (excluding net assets attributable to holders of re</b>  | <b>1,256,484</b>   | <b>62,692</b>      |
| <b>Net Assets attributable to holders of redeemable units</b>   | <b>116,192,626</b> | <b>136,348,529</b> |
| <b>Net assets attributable to holders of redeemable units per unit per class</b>                                      |                    |                    |
| Class A   | 17,621,165         | 21,378,862         |
| Class F   | 98,571,461         | 114,969,667        |
|   | <b>116,192,626</b> | <b>136,348,529</b> |
| <b>Number of redeemable units outstanding (Note 5)</b>  |                    |                    |
| Class A   | 1,622,197          | 1,692,574          |
| Class F   | 8,712,180          | 8,782,441          |
|   | <b>10,334,370</b>  | <b>10,475,015</b>  |
| <b>Net assets attributable to holders of redeemable units per unit</b>  |                    |                    |
| Class A   | 10.8625            | 12.6310            |
| Class F   | 11.3142            | 13.0909            |

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

  
John H. Simpson, CFA Director

  
Paul W. Meyer, CFA Director

### STATEMENTS OF COMPREHENSIVE INCOME

For the six months periods ended June 30, 2022 and 2021 (Unaudited)

|   | 2022                | 2021               |
|---|---------------------|--------------------|
|   | \$                  | \$                 |
| <b>Income</b>   |                     |                    |
| Interest income for distribution purposes   | 2,298,783           | 1,443,346          |
| <b>Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss</b> |                     |                    |
| Net realized (loss) on sale of investments  | (5,523,650)         | (792,341)          |
| Net change in unrealized (depreciation) of investments  | (13,811,140)        | (1,492,900)        |
| <b>Total income</b>   | <b>(17,036,007)</b> | <b>(841,895)</b>   |
| <b>Expenses</b>   |                     |                    |
| Management fees (Note 7)  | 78,744              | 102,249            |
| Administrative and other expenses   | 49,978              | 28,380             |
| HST expense   | 17,415              | 17,730             |
| Custodian fees  | 29,617              | 26,887             |
| Audit fees  | 11,331              | 11,331             |
| Independent Review Committee fees   | 8,633               | 8,333              |
| Legal fees  | 13,500              | 10,626             |
| Insurance premium fees  | 4,497               | -                  |
| <b>Total operating expenses</b>   | <b>213,715</b>      | <b>205,536</b>     |
| <b>Operating (loss)</b>   | <b>(17,249,722)</b> | <b>(1,047,431)</b> |
| <b>Increase in net assets attributable to holders of redeemable units</b>   | <b>(17,249,722)</b> | <b>(1,047,431)</b> |
| <b>(Decrease) in net assets attributable to holders of redeemable units per unit per class</b>                        |                     |                    |
| Class A   | (2,690,931)         | (446,720)          |
| Class F   | (14,558,791)        | (600,711)          |
|   | <b>(17,249,722)</b> | <b>(1,047,431)</b> |
| <b>Daily average number of redeemable units outstanding</b>   |                     |                    |
| Class A   | 1,719,025           | 1,865,896          |
| Class F   | 9,176,835           | 4,976,983          |
|   | <b>10,895,860</b>   | <b>6,842,879</b>   |
| <b>Increase in net assets attributable to holders of redeemable units per unit</b>                                    |                     |                    |
| Class A   | (1.5654)            | (0.2394)           |
| Class F   | (1.5865)            | (0.1207)           |

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

## Ridgewood Canadian Bond Fund

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

For the six months periods ended June 30, 2022 and 2021 (Unaudited)

|  | 2022                | 2021               |
|--|---------------------|--------------------|
|  | \$                  | \$                 |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b> |                     |                    |
| Class A  | 21,378,862          | 24,502,540         |
| Class F  | 114,969,667         | 59,766,066         |
|  | <b>136,348,529</b>  | <b>84,268,606</b>  |
| <b>Distributions to redeemable unitholders</b>                                       |                     |                    |
| From net investment income   |                     |                    |
| Class A  | (362,062)           | (393,834)          |
| Class F  | (1,925,679)         | (1,065,177)        |
|  | <b>(2,287,741)</b>  | <b>(1,459,011)</b> |
| From capital gain  |                     |                    |
| Class A  | -                   | -                  |
| Class F  | -                   | -                  |
|  | <b>-</b>            | <b>-</b>           |
| <b>Total distributions to redeemable unitholders</b>                                 |                     |                    |
| Class A  | (362,062)           | (393,834)          |
| Class F  | (1,925,679)         | (1,065,177)        |
|  | <b>(2,287,741)</b>  | <b>(1,459,011)</b> |
| <b>Redeemable unit transactions (Note 5)</b>   |                     |                    |
| Proceeds from units issued   |                     |                    |
| Class A  | 2,387,502           | 3,193,049          |
| Class F  | 18,817,000          | 23,055,430         |
|  | <b>21,204,502</b>   | <b>26,248,479</b>  |
| Amount paid for units redeemed   |                     |                    |
| Class A  | (3,452,511)         | (2,765,638)        |
| Class F  | (20,526,963)        | (6,179,506)        |
|  | <b>(23,979,474)</b> | <b>(8,945,144)</b> |
| Reinvestment of distributions  |                     |                    |
| Class A  | 360,305             | 326,032            |
| Class F  | 1,796,227           | 710,770            |
|  | <b>2,156,532</b>    | <b>1,036,802</b>   |
| <b>Total redeemable unit transactions</b>  |                     |                    |
| Class A  | (704,704)           | 753,443            |
| Class F  | 86,264              | 17,586,694         |
|  | <b>(618,440)</b>    | <b>18,340,137</b>  |
| <b>Increase in net assets attributable to holders of redeemable units</b>            |                     |                    |
| Class A  | (2,690,931)         | (446,720)          |
| Class F  | (14,558,791)        | (600,711)          |
|  | <b>(17,249,722)</b> | <b>(1,047,431)</b> |
| <b>Net assets attributable to holders of redeemable units at end of period</b>       |                     |                    |
| Class A  | 17,621,165          | 24,415,429         |
| Class F  | 98,571,461          | 75,686,872         |
|  | <b>116,192,626</b>  | <b>100,102,301</b> |

### STATEMENTS OF CASH FLOWS

For the six months periods ended June 30, 2022 and 2021 (Unaudited)

|  | 2022               | 2021                |
|--|--------------------|---------------------|
|  | \$                 | \$                  |
| <b>Cash provided by (used in) operating activities</b>                             |                    |                     |
| Net (decrease) in net assets attributable to holders of redeemable units           | (17,249,722)       | (1,047,431)         |
| Adjustments for  |                    |                     |
| Interest income on short-term notes  | -                  | -                   |
| Net realized loss on investments excluding foreign currency                        | 5,523,650          | 792,342             |
| Net change in unrealized depreciation of investments                               | 13,811,140         | 1,492,899           |
| Purchase of investments  | (123,091,899)      | (55,043,801)        |
| Proceeds from sale of investments  | 121,829,401        | 34,923,513          |
| Decrease (increase) in accrued interest receivable                                 | 70,366             | (205,529)           |
| (Increase) in prepaid fees   | -                  | (129)               |
| (Decrease) in accrued expenses   | (12,391)           | (6,091)             |
| Increase in investment purchases payable   | 1,215,542          | -                   |
| <b>Net cash provided by (used in) operating activities</b>                         | <b>2,096,087</b>   | <b>(19,094,227)</b> |
| <b>Cash provided by (used in) financing activities</b>                             |                    |                     |
| Subscriptions received in advance  | 4,718              | (213,000)           |
| Payable for units redeemed   | 3,005              | 379,249             |
| Distributions paid to holders of redeemable units, net of reinvested distributions | (143,573)          | (150,784)           |
| Proceeds from units issued   | 21,204,502         | 26,248,479          |
| Amount paid for units redeemed   | (23,979,474)       | (8,945,143)         |
| <b>Net cash provided by (used in) financing activities</b>                         | <b>(2,910,822)</b> | <b>17,318,801</b>   |
| <b>(Decrease) in cash</b>  | <b>(814,735)</b>   | <b>(1,775,426)</b>  |
| <b>Cash, beginning of year (period)</b>  | <b>890,325</b>     | <b>2,647,761</b>    |
| <b>Cash, end of (period)</b>   | <b>75,590</b>      | <b>872,335</b>      |
| Interest received  | 2,369,149          | 1,237,817           |

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

## Ridgewood Canadian Bond Fund

### Schedule of Investments

As at June 30, 2022

| Par Value   | Average Cost   | Fair Value         | % of Portfolio |
|---|--|--------------------|----------------|
|   | \$   | \$                 |                |
| <b>Investments</b>                                |  |                    |                |
| <b>Short-Term Investments</b>                     |  |                    |                |
| <b>Discount Commercial Papers</b>                 |  |                    |                |
| 8,200,000   | Enbridge Gas Distribution Inc., Canadian Corporate Paper, July 05, 2022  | 8,187,126          | 8,187,126      |
| 5,975,000   | Enbridge Inc., Canadian Corporate Paper, July 12, 2022                   | 5,963,363          | 5,963,363      |
| 2,000,000   | Enbridge Inc., Canadian Corporate Paper, July 28, 2022                   | 1,995,580          | 1,995,580      |
| <b>Total Discount Commercial Papers</b>           | <b>16,146,069</b>  | <b>16,146,069</b>  | <b>13.90%</b>  |
| <b>Total Short-Term Investments</b>               | <b>16,146,069</b>  | <b>16,146,069</b>  | <b>13.90%</b>  |
| <b>Federal Bonds</b>                              |  |                    |                |
| 1,300,000   | Canada Housing Trust No 1, 1.100%, December 15, 2026                     | 1,273,481          | 1,176,223      |
| 1,050,000   | Canada Housing Trust No 1, 1.600%, December 15, 2031                     | 1,024,190          | 876,666        |
| 1,500,000   | Canadian Government Bond, 1.500%, December 01, 2031                      | 1,322,555          | 1,291,321      |
| 11,625,000  | Canadian Government Bond, 2.000%, December 01, 2051                      | 10,502,827         | 9,055,359      |
| <b>Total Federal Bonds</b>                        | <b>14,123,053</b>  | <b>12,399,569</b>  | <b>10.67%</b>  |
| <b>Provincial Bonds</b>                           |  |                    |                |
| 1,000,000   | Government of the Northwest Territories, 2.200%, September 29, 2051      | 992,650            | 635,252        |
| 3,000,000   | Hydro-Quebec, 2.000%, September 01, 2028                                 | 2,990,730          | 2,721,094      |
| 5,000,000   | Province of Alberta, 1.650%, June 01, 2031                               | 4,783,000          | 4,148,845      |
| 1,000,000   | Province of Alberta, 3.100%, June 01, 2050                               | 813,790            | 830,484        |
| 1,600,000   | Province of Alberta, 2.950%, June 01, 2052                               | 1,450,650          | 1,288,684      |
| 2,500,000   | Province of Manitoba, 2.850%, September 05, 2046                         | 2,475,310          | 1,953,260      |
| 3,000,000   | Province of Manitoba, 2.050%, September 05, 2052                         | 2,515,882          | 1,882,402      |
| 500,000   | Province of New Brunswick, 3.050%, August 14, 2050                       | 393,100            | 399,825        |
| 1,250,000   | Province of Newfoundland and Labrador, 3.300%, October 17, 2046          | 1,138,788          | 1,025,635      |
| 1,000,000   | Province of Newfoundland and Labrador, 2.650%, October 17, 2050          | 944,440            | 707,029        |
| 2,750,000   | Province of Ontario, 2.650%, December 02, 2050                           | 2,885,798          | 2,047,093      |
| 500,000   | Province of Ontario, 1.900%, December 02, 2051                           | 416,995            | 307,972        |
| 2,000,000   | Province of Prince Edward Island, 1.850%, July 27, 2031                  | 1,817,880          | 1,664,041      |
| 750,000   | Province of Quebec, 3.500%, December 01, 2045                            | 851,385            | 671,258        |
| 1,000,000   | Province of Quebec, 2.850%, December 01, 2053                            | 831,690            | 776,337        |
| 1,000,000   | Province of Saskatchewan, 2.800%, December 02, 2052                      | 896,670            | 765,527        |
| <b>Total Provincial Bonds</b>                     | <b>26,198,758</b>  | <b>21,824,738</b>  | <b>18.78%</b>  |
| <b>Corporate Bonds</b>                            |  |                    |                |
| 2,500,000   | Bank of Nova Scotia, 3.700%, July 27, 2081                               | 2,447,500          | 2,104,901      |
| 500,000   | Calgary Airport Authority, 3.199%, October 07, 2036                      | 500,000            | 413,484        |
| 2,000,000   | Calgary Airport Authority, 3.341%, October 07, 2038                      | 2,000,000          | 1,649,117      |
| 1,600,000   | Calgary Airport Authority, 3.454%, October 07, 2041                      | 1,600,000          | 1,316,225      |
| 500,000   | Calgary Airport Authority, 3.554%, October 07, 2051                      | 500,000            | 396,868        |
| 1,500,000   | Empire Life Insurance Co., 3.625%, April 17, 2081                        | 1,507,500          | 1,304,352      |
| 2,000,000   | Enbridge Inc., 5.375%, September 27, 2027                                | 2,047,353          | 1,870,912      |
| 500,000   | Enbridge Inc., 5.000%, January 19, 2082                                  | 500,313            | 425,887        |
| 2,000,000   | Great-West Lifeco Inc., 3.600%, December 31, 2081                        | 1,835,000          | 1,670,611      |
| 1,000,000   | Intact Financial Corp., 4.125%, March 31, 2081                           | 1,000,000          | 891,690        |
| 2,800,000   | Laurentian Bank of Canada, 4.600%, September 02, 2025                    | 2,800,840          | 2,782,137      |
| 2,000,000   | Manulife Financial Corp., 3.375%, June 19, 2081                          | 2,000,000          | 1,683,997      |
| 2,000,000   | Manulife Financial Corp., 4.100%, March 19, 2082                         | 2,000,000          | 1,681,174      |
| 2,923,000   | National Bank of Canada, 4.050%, August 15, 2081                         | 2,924,897          | 2,507,680      |
| 1,578,000   | NFI Group Inc., 5.000%, January 15, 2027                                 | 1,365,791          | 1,364,970      |
| 2,769,159   | OMERS Realty Corp., 3.666%, December 05, 2022                            | 2,769,159          | 2,789,651      |
| 1,000,000   | Pembina Pipeline Corp., 4.800%, January 25, 2081                         | 979,676            | 836,042        |
| 2,000,000   | Sagen MI Canada Inc., 4.950%, March 24, 2081                             | 1,920,000          | 1,697,072      |
| 2,200,000   | Toronto-Dominion Bank, 3.600%, October 31, 2081                          | 2,202,200          | 1,849,896      |
| 1,900,000   | TransAlta Corp., 7.300%, October 22, 2029                                | 1,983,250          | 1,984,706      |
| 2,500,000   | TransAlta Corp., 6.900%, November 15, 2030                               | 2,956,248          | 2,545,600      |
| 1,400,000   | Transcanada Trust, 4.650%, May 18, 2077                                  | 1,354,640          | 1,285,661      |
| 2,000,000   | Trisura Group Ltd., 2.641%, June 11, 2026                                | 2,000,000          | 1,850,876      |
| 1,000,000   | WildBrain Ltd., 5.875%, September 30, 2024                               | 986,250            | 947,500        |
| <b>Total Corporate Bonds</b>                      | <b>42,180,617</b>  | <b>37,851,009</b>  | <b>32.57%</b>  |
| <b>Mortgage Backed Securities</b>                 |  |                    |                |
| 1,500,000   | Institutional Mortgage Securities Canada Inc., 4.570%, November 12, 2023 | 1,457,685          | 1,432,500      |
| 2,000,000   | Institutional Mortgage Securities Canada Inc., 4.186%, May 12, 2024      | 1,913,800          | 1,955,000      |
| 2,000,000   | Institutional Mortgage Securities Canada Inc., 2.944%, March 12, 2025    | 1,912,320          | 1,900,000      |
| 2,034,000   | Institutional Mortgage Securities Canada Inc., 3.939%, March 12, 2025    | 1,828,932          | 1,885,111      |
| 2,052,000   | Institutional Mortgage Securities Canada Inc., 3.100%, March 12, 2025    | 1,820,124          | 1,921,903      |
| 2,000,000   | Institutional Mortgage Securities Canada Inc., 4.192%, July 12, 2045     | 2,029,340          | 1,997,752      |
| 3,703,000   | Real Estate Asset Liquidity Trust, 3.451%, May 12, 2025                  | 3,592,491          | 3,564,138      |
| 3,000,000   | Real Estate Asset Liquidity Trust, 3.707%, March 12, 2031                | 2,842,406          | 2,460,000      |
| 3,379,000   | Real Estate Asset Liquidity Trust, 3.450%, May 12, 2051                  | 3,124,291          | 3,134,023      |
| 2,000,000   | Real Estate Asset Liquidity Trust, 3.930%, November 12, 2052             | 1,930,380          | 1,850,000      |
| 1,821,000   | Real Estate Asset Liquidity Trust, 3.971%, November 12, 2052             | 1,550,113          | 1,634,348      |
| 1,000,000   | Real Estate Asset Liquidity Trust, 4.250%, August 12, 2053               | 953,209            | 925,000        |
| 1,000,000   | Real Estate Asset Liquidity Trust, 4.020%, June 12, 2054                 | 976,703            | 890,000        |
| 3,000,000   | Real Estate Asset Liquidity Trust, 4.352%, June 14, 2061                 | 3,060,717          | 2,925,000      |
| <b>Total Mortgage Backed Securities</b>           | <b>28,992,511</b>  | <b>28,474,775</b>  | <b>24.51%</b>  |
| <b>Total Bonds and Mortgage Backed Securities</b> | <b>111,494,939</b>   | <b>100,550,091</b> | <b>86.53%</b>  |
| <b>Total Investments</b>                          | <b>127,641,008</b>   | <b>116,696,160</b> | <b>100.43%</b> |
| <b>Cash and other assets, net of liabilities</b>  | <b>(503,534)</b>   | <b>(503,534)</b>   | <b>-0.43%</b>  |
| <b>Net assets</b>                                 |  | <b>116,192,626</b> | <b>100.00%</b> |



# Ridgewood Canadian Bond Fund

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## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 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 Master Declaration of Trust dated February 18, 1999, as amended on September 1, 2008 and further amended on March 15, 2010 and July 1, 2018. The Fund began operations on February 19, 1999. The Fund’s principal office is 55 University Avenue, Suite 1020, Toronto, Ontario M5J 2H7. The fiscal year end of the Fund is December 31.

Ridgewood is also the investment manager and distributor of units of the Fund. RBC Investor & Treasury Services is the custodian, administrator and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The financial statements are authorized for issuance by the Manager on August 23, 2022.

### 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. Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) including International Accounting Standards (“IAS”) 34: Interim Financial reporting, as issued by the International Accounting Standards Board (“IASB”). The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit and loss.

### 4. Summary of significant accounting policies

#### *Financial instruments*

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

#### *Classification and Measurement*

The investments are classified as at fair value through profit or loss. The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

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

#### *Financial assets and financial liabilities at amortized cost*

The financial assets and liabilities measured at amortized cost include loans payable, accrued interest receivable, cash, accrued expenses, distribution payable, subscriptions receivable and payable and due to/from brokers.

# Ridgewood Canadian Bond Fund

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## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 4. Summary of significant accounting policies (continued)

#### *IFRS 9 Financial Instruments (“IFRS 9”)*

Financial assets carried at amortized cost are subject to expected credit loss model (“ECL”) as required by IFRS 9. The Fund’s financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the trade receivables and high credit quality these trade receivables are not considered impaired

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

#### **Capital Disclosures**

The Fund’s objectives, policies and processes for managing capital are described in Note 2. Information on the Funds’ capital structure is described in Note 5. The Fund does not have any externally imposed capital requirements.

#### **Valuation of Investments**

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

Bonds are valued at the mean of bid/ask prices provided by recognized investment dealers. Mutual fund units held are priced using the NAV per unit which is fair value, as of the valuation date for the particular fund for both reporting Net Assets attributable to holders of redeemable units and daily NAV.

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

Cash is comprised of cash on deposit.

#### **Investment Transactions**

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

#### **Income Recognition**

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

#### **Financial Instruments - Disclosures**

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

# Ridgewood Canadian Bond Fund

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## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 4. Summary of significant accounting policies (continued)

#### ***Financial Instruments – Disclosures (continued)***

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

#### a) Bonds and short-term investments

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

Please see Note 12 for these disclosures.

#### ***Foreign currency***

#### a) Functional and presentation currency

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements of the Fund are presented in Canadian Dollar ("CAD") which is the Fund's functional currency.

#### b) Foreign currency translation

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

#### ***Critical accounting estimates and judgments***

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

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

The Fund holds financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding.

The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 12 – Financial Instruments – Fair Value Disclosure for further information about the fair value measurement of the Fund's financial instruments.

# Ridgewood Canadian Bond Fund

## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 4. Summary of significant accounting policies (continued)

#### *Critical accounting estimates and judgments (continued)*

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

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

### 5. Redeemable Units

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

As of July 1, 2018, the previously issued units of the Fund were renamed class A units and an additional class of units designated as class F units were created for the Fund. Units of class F were issued on July 3, 2018.

Following are the redeemable unit transactions during the periods from January 1 to June 30, 2022 and January 1 to December 31, 2021:

|  | 2022             |                  | 2021      |             |
|--|------------------|------------------|-----------|-------------|
|  | Class A          | Class F          | Class A   | Class F     |
| Units outstanding, beginning of period | 1,692,574        | 8,782,441        | 1,874,518 | 4,457,895   |
| Units issued                           | 196,454          | 1,508,177        | 330,056   | 5,452,005   |
| Units redeemed                         | (297,979)        | (1,727,822)      | (568,695) | (1,285,178) |
| Reinvestment of distribution           | 31,148           | 149,384          | 56,695    | 157,719     |
| Units outstanding, end of period       | <b>1,622,197</b> | <b>8,712,180</b> | 1,692,574 | 8,782,441   |

### 6. Related party transactions

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

#### *Management fees*

Under the terms of the Master Declaration of Trust, the Fund appointed the Manager to provide management services. The Manager receives a fee in respect of each series of a class of the Fund which shall be paid from the assets of the Fund. Services received under the Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund. Total management fees for the period ended June 30, 2022 amounted to \$ 78,744 (2021- \$102,249).

#### *Independent Review Committee fees*

The total remuneration paid to members of the Independent Review Committee ("IRC") during the period ended June 30, 2022 was \$8,633 (2021 - \$8,333).

# Ridgewood Canadian Bond Fund

## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 7. Management fees and expenses

Ridgewood is entitled to an annual management fee payable out of the assets of each class of units of the Fund. The maximum management fee of each class of units of the Fund is equal to the Maximum Ordinary Expenses, which is the percentage of the weighted average net asset value of each class of units of the Fund as shown below, less the Ordinary Expenses (as defined below) of each class of units of the Fund. The Maximum Ordinary Expenses acts as a cap on the management fee and ordinary expenses of the Fund. The management fee is estimated and paid on a monthly basis as of the last valuation date each month and shall be adjusted annually. The Maximum Ordinary Expenses of a class of units of the Fund will not be increased unless unitholders of the applicable class have received at least 60 days written notice of the increase.

|                                      | Class A | Class F |
|--------------------------------------|---------|---------|
| Maximum Ordinary Expenses percentage | 1.00%   | 0.35%   |

Ordinary Expenses are paid out of the assets of the Fund and include normal course day-to-day operating expenses of the Fund such as fees and expenses payable to the custodian and any sub-custodian, printing and postage expenses incurred in connection with the provision of information to unitholders, legal, accounting and audit fees and regulatory filing fees. Ordinary Expenses may include common and class expenses. Class expenses are expenses that are attributable to a class of units of the Fund, while common expenses are all expenses of the Fund that are not class expenses.

The Fund may also be subject to other expenses incurred in the day-to-day operations of the Fund, including commissions, brokerage fees and other fees and disbursements directly relating to the implementation of transactions for the portfolio of the Fund, costs associated with the IRC, taxes payable by the Fund or to which the Fund may be subject (such as goods and services taxes and harmonized sales taxes), any interest expenses, as well as expenses incurred in respect of matters not in the ordinary course of the day-to-day activities of the Fund, all of which are the responsibility of the Fund. These expenses are not included in the Maximum Ordinary Expenses and accordingly are attributable to both the class A units and the class F units of the Fund, as applicable. If the total ordinary expenses are greater than the Maximum Ordinary Expenses, Ridgewood will reimburse the Fund the amount of such excess.

### 8. Brokerage commissions

The Fund uses some of the commissions generated from transactions with the brokerage industry for goods and services used in the investment decision making process and other executions.

### 9. Distributions

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

### 10. Income taxes

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

As at December 31, 2021, capital losses of \$ 467,169 (2020 - \$467,169) 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.

# Ridgewood Canadian Bond Fund

## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 11. 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 expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

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

|                        | As at June 30, 2022 |              |                   |               |              |                   |                      | Total          |
|------------------------|---------------------|--------------|-------------------|---------------|--------------|-------------------|----------------------|----------------|
|                        | Less than 1 month   | 1 - 3 months | 3 months - 1 year | 1 - 3 years   | 3-5 years    | More than 5 years | Non Interest bearing |                |
| Interest Rate Exposure | \$ 16,146,069       | \$ -         | \$ 2,789,651      | \$ 13,606,152 | \$ 7,174,206 | \$ 76,980,082     | \$ -                 | \$ 116,696,160 |

|                        | As at December 31, 2021 |              |                   |              |               |                   |                      | Total          |
|------------------------|-------------------------|--------------|-------------------|--------------|---------------|-------------------|----------------------|----------------|
|                        | Less than 1 month       | 1 - 3 months | 3 months - 1 year | 1 - 3 years  | 3-5 years     | More than 5 years | Non Interest bearing |                |
| Interest Rate Exposure | \$ 890,325              | \$ -         | \$ 2,898,659      | \$ 4,516,800 | \$ 20,083,201 | \$ 107,269,792    | \$ -                 | \$ 135,658,777 |

At June 30, 2022, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets attributable to holders of redeemable units for the period would amount to approximately \$7.7 million (December 31, 2021 - \$7.6 million), arising substantially from the increase in market values of debt securities. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets attributable to holders of redeemable units would amount to approximately \$ 7.7 million (December 31, 2021 - \$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 measures credit risk and lifetime ECL's related to the accrued interest receivables using historical analysis and forward looking information.

The Fund's main credit risk concentration is spread between AAA/Aaa and BB/Ba rated securities.

The Fund invests in financial assets, which have an investment grade as rated based on Standard & Poor, and Moody's.

# Ridgewood Canadian Bond Fund

## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 11. Financial instruments and risk management (continued)

#### *Credit Risk (continued)*

| Portfolio by rating category | June 30, 2022  |
|------------------------------|--|
| Rating                       | As a % of net assets attributable to holders of redeemable units |
| AAA/Aaa                      | 10.67%   |
| AA/Aa                        | 22.17%   |
| A/A                          | 34.82%   |
| BBB/Baa                      | 26.00%   |
| BB/Ba                        | 6.77%  |
| Unrated                      | 0.00%  |
| <b>Total</b>                 | <b>100.43%</b>   |

| Portfolio by rating category | December 31, 2021  |
|------------------------------|--|
| Rating                       | As a % of net assets attributable to holders of redeemable units |
| AAA/Aaa                      | 18.46%   |
| AA/Aa                        | 14.40%   |
| A/A                          | 24.55%   |
| BBB/Baa                      | 26.16%   |
| BB/Ba                        | 12.50%   |
| Unrated                      | 2.77%  |
| <b>Total</b>                 | <b>98.84%</b>  |

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 (2021 - \$Nil).

#### *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 has \$16,146,069 short-term investments as of June 30, 2022 (December 31, 2021 - \$nil) are invested in Discount Commercial Papers with less than 150 days to maturity, so redemption requests can be readily facilitated. The Fund's accrued liabilities are generally due and paid within three months.

# Ridgewood Canadian Bond Fund

## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 11. Financial instruments and risk management (continued)

#### Liquidity Risk (continued)

June 30, 2022

| Financial Liabilities                                  | On Demand             | < 3 Months          | Total                 |
|--|-----------------------|---------------------|-----------------------|
| Redemptions payable                                    | \$ -                  | \$ 3,005            | \$ 3,005              |
| Accrued expenses                                       | -                     | 37,937              | 37,937                |
| Due to Brokers   | -                     | 1,215,542           | 1,215,542             |
| Net assets attributable to holders of redeemable units | 116,192,626           | -                   | 116,192,626           |
| <b>Total Liabilities</b>                               | <b>\$ 116,192,626</b> | <b>\$ 1,256,484</b> | <b>\$ 117,449,110</b> |

December 31, 2021

| Financial Liabilities                                  | On Demand             | < 3 Months       | Total                 |
|--|-----------------------|------------------|-----------------------|
| Redemptions payable                                    | \$ -                  | \$ 12,364        | \$ 12,364             |
| Accrued expenses                                       | -                     | 50,328           | 50,328                |
| Due to Brokers   | -                     | -                | -                     |
| Net assets attributable to holders of redeemable units | 136,348,529           | -                | 136,348,529           |
| <b>Total Liabilities</b>                               | <b>\$ 136,348,529</b> | <b>\$ 62,692</b> | <b>\$ 136,411,221</b> |

#### Concentration risk

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

| Market segments                 | June 30, 2022  | December 31, 2021 |
|---------------------------------|----------------|-------------------|
| Canadian Short Term Investments | 13.90%         | -                 |
| Federal Bonds                   | 10.67%         | 18.46%            |
| Provincial Bonds                | 18.78%         | 12.89%            |
| Corporate Bonds                 | 32.57%         | 45.12%            |
| Mortgage Backed Securities      | 24.51%         | 22.37%            |
| <b>Total</b>                    | <b>100.43%</b> | <b>98.84%</b>     |

### 12. Financial Instruments

#### Fair Value Disclosure

The Fund's assets recorded at fair value have been categorized based upon the fair value hierarchy described in Note 4. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2021.



# Ridgewood Canadian Bond Fund

## Notes to the Financial Statements

June 30, 2022 (unaudited)

### 12. Financial Instruments (continued)

#### *Fair Value Disclosure (continued)*

|                                  | Financial assets at fair value<br>as of June 30, 2022 |             |         |             |
|----------------------------------|---|-------------|---------|-------------|
|                                  | Level 1   | Level 2     | Level 3 | Total       |
|                                  | \$  | \$          | \$      | \$          |
| Cash                             | 75,590  | -           | -       | 75,590      |
| Bonds                            | -   | 72,075,316  | -       | 72,075,316  |
| Mortgage Backed Securities (MBS) | -   | 28,474,775  | -       | 28,474,775  |
| Short Term Investments           | -   | 16,146,069  | -       | 16,146,069  |
|                                  | 75,590  | 116,696,160 | -       | 116,771,750 |

|                                  | Financial assets at fair value<br>as of December 31, 2021 |             |         |             |
|----------------------------------|---|-------------|---------|-------------|
|                                  | Level 1   | Level 2     | Level 3 | Total       |
|                                  | \$  | \$          | \$      | \$          |
| Cash                             | 890,325   | -           | -       | 890,325     |
| Bonds                            | 2,031,518   | 102,239,434 | -       | 104,270,952 |
| Mortgage Backed Securities (MBS) | 5,831,228   | 24,666,271  | -       | 30,497,500  |
| Short Term Investments           | -   | -           | -       | -           |
|                                  | 8,753,071   | 126,905,705 | -       | 135,658,777 |

During the six months period ended June 30, 2022, there were \$ 3,805,876 securities transferred from Level 1 to Level 2 as a result of changes in the availability of quoted market prices or observable market inputs.

During the year ended December 31, 2021, there were \$ 5,831,228 securities transferred from Level 2 to Level 1 as a result of changes in the availability of quoted market prices or observable market inputs.

There were no investments or transactions classified in Level 3 for the period ended June 30, 2022 and year ended December 31, 2021.

**Mutual Funds**  
**Managed by Ridgewood Capital Asset Management Inc.**

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Ridgewood Canadian Bond Fund

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