Ridgewood Canadian Bond Fund

Annual Report 2014

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MESSAGE TO UNITHOLDERS

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

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

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

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

March 2015

Ridgewood Canadian Bond Fund

For the year ended December 31, 2014

Management Report on Fund Performance

This Management Report on Fund Performance has been prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) and contains the financial highlights of Ridgewood Canadian Bond Fund (the "Fund") for the year ended December 31, 2014. 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 has an easing bias as inflation is low and growth is slowing down. Fixed income markets should benefit in this environment as rates will likely stay low for the foreseeable future. However, in a rising interest rate environment, bond prices will move down and the income generated by bonds may not be greater than the decrease in the price.

Summary of Investment Portfolio

The summary of 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, 2014

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	35.6	Provincial Bonds	22.5
Mortgage Backed Securities	13.0	Federal Bonds	12.8
Cash & Short-Term Investments	8.4	Municipal Bonds	7.7

Ridgewood Canadian Bond Fund

For the year ended December 31, 2014

Top 25 holdings

		% of Total Net Asset Value
1.	Canada Mortgage Bond 2.55%, 2025/03/15	12.8%
2.	Canada T-Bills 2015/11/19	8.4%
3.	Ontario 3.45%, 2045/06/02	7.9%
4.	City of Winnipeg 4.10%, 2045/06/01	7.7%
5.	Merrill Lynch Financial Assets Inc., C22 D 2017/05/12	7.4%
6.	Merrill Lynch Financial Assets Inc., C21 D 2017/01/12	5.6%
7.	Omers Realty 3.666%, 2022/12/05	4.7%
8.	Province of Alberta 3.45%, 2043/12/01	4.4%
9.	New Brunswick Municipal Finance 2.85%, 2023/06/02	4.3%
10.	Citigroup Inc. 5.16%, 2022/05/24	4.1%
11.	Shaw 6.75%, 2039/11/09	3.5%
12.	Teranet Holdings 6.10%, 2041/06/17	3.3%
13.	British Columbia 3.300%, 2023/12/18	3.0%
14.	Transalta 5.00%, 2020/11/25	2.9%
15.	Saskatchewan 3.40%, 2042/02/03	2.9%
16.	Altagas 3.84%, 2025/01/15	2.1%
17.	Sobeys Inc. 6.64%, 2040/06/07	1.8%
18.	Riocan 3.746%, 2022/05/30	1.7%
19.	Fairfax Financial 6.40%, 2021/05/25	1.7%
20.	Telus 4.75%, 2045/01/17	1.4%
21.	Goldman Sachs 3.55%, 2021/02/12	1.4%
22.	Manitoba Telecom Services 4.00%, 2024/05/27	1.4%
23.	Metro 5.03%, 2044/12/01	1.4%
24.	Royal Bank 3.04%, 2019/07/17	1.4%
25.	CIBC 3.00%, 2019/10/28	1.4%
Total		**100.0%**

Results of operations

For the year ended December 31, 2014, the net asset value of the Fund was $11.83 per unit compared to $10.99 per unit at December 31, 2013.

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 $0.27 per unit were made to unitholders during the year.

For the year ended December 31, 2014, the Fund had an annual compound return of 10.10% net of fees of 1.16% (including HST) while the DEX Universe Bond Index had a return of 8.79%. In 2014 lower rated corporate bonds were among the top performing sectors in the bond market. Ridgewood took a tactical overweight position in corporate bonds in the BBB area to take advantage of the relative performance potential. The fund also extended term to take advantage of declining interest rates in a low growth, low inflation environment.

Ridgewood Canadian Bond Fund

For the year ended December 31, 2014

Financial highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

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

	Years ended December 31				
	2014	2013	2012	2011	2010
	$	$	$	$	$
The Fund's net assets per unit					
Net assets value, beginning of year [1]	**10.99**	11.25	10.77	11.29	11.17
Increase (decrease) from operations					
Total revenue	**0.42**	0.43	0.45	0.58	0.66
Total expenses (excluding distributions)	**(0.13)**	(0.13)	(0.12)	(0.13)	(0.14)
Realized gain (loss) for the year	**0.29**	(0.03)	0.46	(0.65)	0.28
Unrealized gain (loss) for the year	**0.51**	(0.21)	0.06	(0.09)	0.07
Total increase (decrease) from operations [2]	**1.09**	0.06	0.85	(0.29)	0.87
Distributions to unitholders					
From net investment income	**(0.29)**	(0.31)	(0.32)	(0.45)	(0.51)
From return of capital	**-**	-	(0.03)	-	-
From capital gains	**-**	-	-	-	(0.31)
Total distributions [3]	**(0.29)**	(0.31)	(0.35)	(0.45)	(0.82)
Net assets value, end of year [1]	**11.83**	10.99	11.25	10.77	11.29

(1) This information is derived from the Fund's audited financial statements as at December 31 of the year, with the Exception of 2013 information, which was re-stated in accordance with new IFRS requirements. For all prior years the financial statements of the Fund were prepared in accordance with Canadian GAAP applicable to public enterprises. 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.

(2) Total increase (decrease) from operations consists of interest revenue, realized and unrealized gains (losses), less expenses, and is calculated based on the weighted average number of units outstanding during the year (period). The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the year (period).

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

Ridgewood Canadian Bond Fund

For the year ended December 31, 2014

		2014		2013		2012		2011		2010
Ratios/supplemental data										
Net Asset Value, end of year ($millions)[1]	$	**72.8**	$	46.30	$	107.26	$	152.24	$	136.68
Number of units outstanding[1]		**6,158,374**		4,211,098		9,531,017		14,141,272		12,101,350
Management expense ratio (including HST)[2]		**1.16%**		1.14%		1.10%		1.11%		1.12%
Management expense ratio including expenses absorbed by the Manager		**1.16%**		1.14%		1.10%		1.11%		1.12%
Portfolio turnover rate[3]		**200.78%**		320.83%		355.13%		470.50%		171.54%
Net Asset Value per unit, end of year	$	**11.83**	$	10.99	$	11.25	$	10.77	$	11.29

(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.

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

Past Performance

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

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

- the 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.

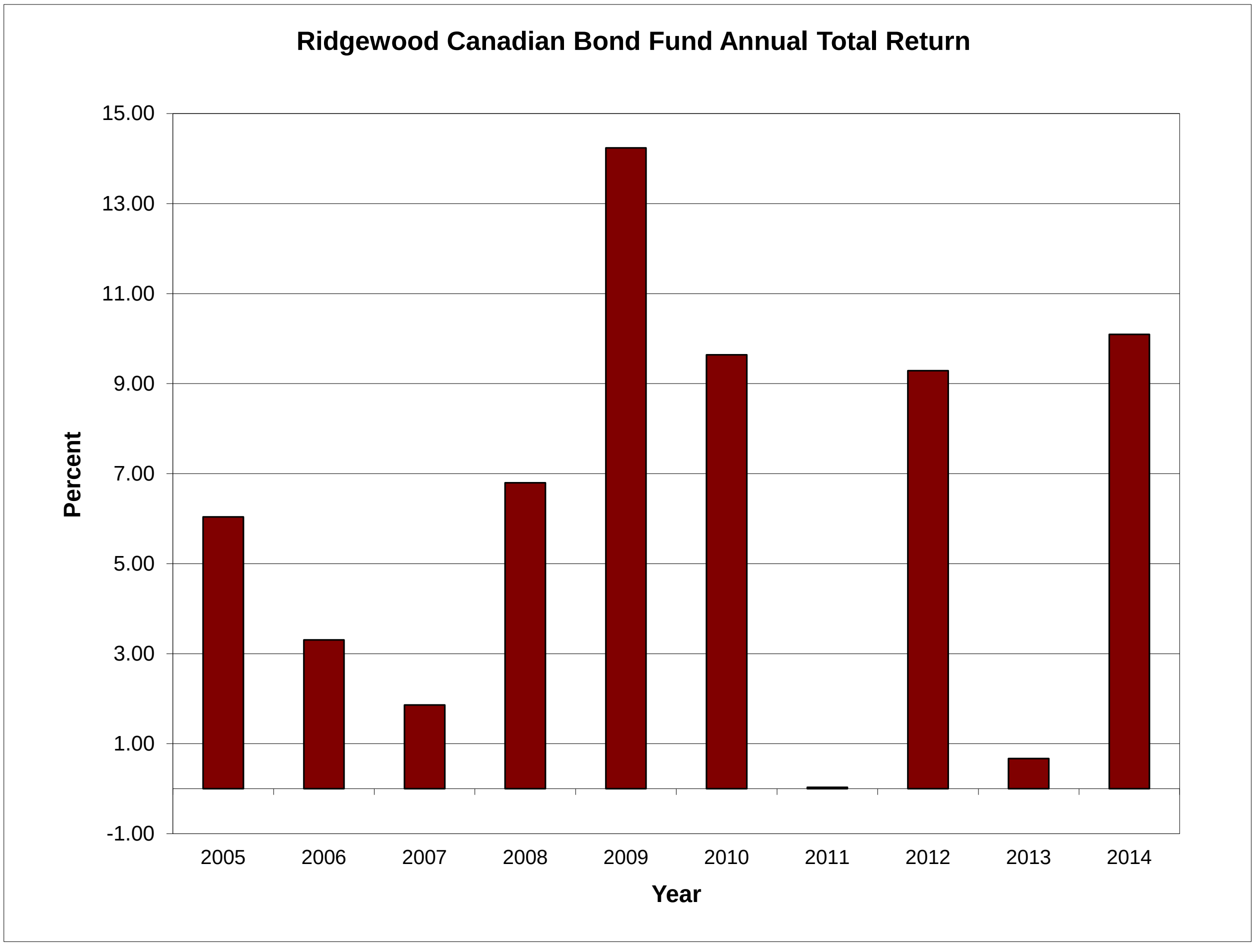
Ridgewood Canadian Bond Fund

For the year ended December 31, 2014

Year-By-Year Returns

The bar chart illustrates how the Fund's annual total return in each of the past 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.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (net of fees of 1.16%, 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	**10.10%**	6.60%	5.84%	6.10%
DEX Universe Bond Index *	**8.79%**	3.66%	5.45%	5.32%

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

Ridgewood Canadian Bond Fund

For the year ended December 31, 2014

Related Party Transactions

Ridgewood Capital Asset Management Inc. ("Ridgewood") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to 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, 2014, 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

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

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

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

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

John H. Simpson
Director
Ridgewood Capital Asset Management Inc.

Paul W. Meyer
Director
Ridgewood Capital Asset Management Inc.

March 13, 2015

Deloitte.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Deloitte LLP

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

Ridgewood Canadian Bond Fund

STATEMENTS OF FINANCIAL POSITION

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

	31-Dec-14	31-Dec-13 (Note 13)	1-Jan-13 (Note 13)
	$	$	$
Assets			
Financial assets at fair value through profit or loss			
(Cost: 31-Dec-14 - $62,808,907; 31-Dec-13 - $44,979,737; 01-Jan-13 - $83,635,488)	**65,888,388**	45,520,089	85,621,022
Short-term investments at fair value			
(Cost: 31-Dec-14 - $6,031,220; 31-Dec-13 - $815,626; 01-Jan-13 - $21,535,263)	**6,031,220**	815,629	21,535,263
Cash	**86,535**	69,674	349,999
Accrued interest receivable	**276,034**	174,660	381,804
Prepaid fees	**9,763**	4,894	4,734
Subscriptions receivable	**737,500**	9,927	63,500
Total Assets	**73,029,440**	46,594,873	107,956,322
Liabilities			
Accrued expenses	**120,200**	83,163	162,096
Distributions Payable	**-**	-	238,275
Redemptions payable	**82,237**	216,260	298,386
Total Liabilities (excluding net assets attributable to holders of redeemable units)	**202,437**	299,423	698,757
Net Assets attributable to holders of redeemable units	**72,827,003**	46,295,450	107,257,565
Number of Units Outstanding (Note 5)	**6,158,374**	4,211,098	9,531,017
Net assets attributable to holders of redeemable units per unit	**11.8257**	10.9937	11.2535

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

Director
John H. Simpson, CFA

Director
Paul W. Meyer, CFA

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2014 and 2013

	2014	2013 (Note 13)
	$	$
Income		
Interest income for distribution purposes	**2,108,125**	2,964,723
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss		
Net realized gain/(loss) on sale of investments	**1,426,873**	(221,742)
Net change in unrealized (depreciation) appreciation of investments	**2,539,127**	(1,448,541)
Total income	**6,074,125**	1,294,440
Expenses		
Management fees (Note 7)	**461,852**	645,598
HST expense	**60,844**	82,557
Administrative and other expenses	**33,382**	38,686
Custodian fees	**47,393**	62,771
Audit fees	**18,208**	25,003
Legal fees	**18,210**	4,828
Independent Review Committee fees	**17,567**	17,567
Insurance premium fees	**3,782**	5,400
Total operating expenses	**661,238**	882,410
Operating profit	**5,412,887**	412,030
Increase in net assets attributable to holders of redeemable units	**5,412,887**	412,030
Daily average number of units	**4,981,607**	6,919,206
Increase in net assets attributable to holders of redeemable units per unit	**1.0866**	0.0595

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 years ended December 31, 2014 and 2013

	2014 $	2013 (Note 13) $
Net Assets Attributable to Holders of Redeemable units at beginning of year	46,295,450	107,257,565
Distributions to redeemable unitholders		
From net investment income	**(1,424,870)**	(2,123,773)
Redeemable Unit Transactions (Note 5)		
Proceeds from units issued	53,504,623	11,182,542
Amount paid for units redeemed	(31,938,535)	(72,540,053)
Reinvestment of distributions	977,448	2,107,139
	22,543,536	(59,250,372)
Increase in net assets attributable to holders of redeemable units	5,412,887	412,030
Net Assets Attributable to Holders of Redeemable units at end of year	72,827,003	46,295,450

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014 $	2013 (Note 13) $
Cash provided by (used in) operating activities		
Net increase in net assets attributable to holders of redeemable units	**5,412,887**	412,030
Adjustments for		
Interest income on short-term notes	**(29,576)**	(34,524)
Net realized gains (losses) on investments excluding foreign currency	**(1,426,873)**	221,742
Net change in unrealized appreciation (depreciation) of investments	**(2,539,127)**	1,448,541
Purchase of investments	**(221,312,548)**	(329,662,066)
Proceeds from sale of investments	**199,724,234**	388,846,874
Increase (Decrease) in accrued interest receivable	**(101,374)**	207,144
Increase (Decrease) in prepaid fees	**(4,869)**	(160)
Increase (Decrease) in accrued expenses	**37,037**	(78,933)
Net cash provided by (used in) in operating activities	**(20,240,209)**	61,360,648
Cash provided by (used in) financing activities		
Subscriptions received in advance	**(727,573)**	53,573
Payable for units redeemed	**(134,023)**	(82,126)
Distributions paid to holders of redeemable units, net of reinvested distributions	**(447,422)**	(254,909)
Proceeds from units issued	**53,504,623**	11,182,542
Amount paid for units redeemed	**(31,938,535)**	(72,540,053)
Net cash provided by (used in) financing activities	**20,257,070**	(61,640,973)
Increase (decrease) in cash	**16,861**	(280,325)
Cash, beginning of year	**69,674**	349,999
Cash, end of year	**86,535**	69,674
Interest received	**2,006,751**	3,171,867

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

Ridgewood Canadian Bond Fund

Schedule of investments

As at December 31, 2014

Par Value		Average Cost	Fair Value	% of Portfolio
		$	$	
Short-term Investments				
Treasury Bills				
6085000	Canadian Treasury Bill, 0.970%, November 19, 2015	6,031,220	6,031,220	8.28%
Investments				
Federal Bonds				
9000000	Canada Housing Trust No.1, 2.550%, March 15, 2025	9,188,460	9,179,756	12.61%
Provincial Bonds				
3000000	Province of Alberta, 3.450%, December 01, 2043	3,017,220	3,164,603	
2000000	Province of British Columbia, 3.300%, December 18, 2023	1,948,640	2,148,782	
3000000	Province of New Brunswick, 2.850%, June 02, 2023	2,982,480	3,079,904	
5500000	Province of Ontario, 3.450%, June 02, 2045	5,504,205	5,693,227	
2000000	Province of Saskatchewan, 3.400%, February 03, 2042	2,013,800	2,083,724	
Total Provincial Bonds		15,466,345	16,170,240	22.20%
Municipal Bonds				
5000000	City of Winnipeg Canada, 4.100%, June 01, 2045	5,352,050	5,545,728	7.61%
Corporate Bonds				
1500000	AltaGas Ltd., 3.840%, January 15, 2025	1,499,565	1,520,691	
1000000	Canadian Imperial Bank of Commerce, 3.000%, October 28, 2024	999,770	1,012,113	
2765000	Citigroup Inc., 5.160%, May 24, 2027	2,821,297	2,922,151	
1000000	Fairfax Financial Holdings Ltd., 6.400%, May 25, 2021	1,111,000	1,126,494	
1000000	Goldman Sachs Group Inc., 3.550%, February 12, 2021	998,890	1,034,335	
1000000	Manitoba Telecom Services Inc., 4.000%, May 27, 2024	1,008,500	1,031,121	
1000000	Manufacturers Life Insurance Co., 2.640%, January 15, 2025	999,970	1,007,403	
1000000	Metro Inc., 5.030%, December 01, 2044	999,540	1,027,045	
3366369	OMERS Realty Corp., 3.666%, December 05, 2022	3,366,369	3,508,597	
1200000	RioCan Real Estate Investment Trust, 3.746%, May 30, 2022	1,200,000	1,231,844	
1000000	Royal Bank of Canada, 3.040%, July 17, 2024	999,820	1,016,572	
2000000	Shaw Communications Inc., 6.750%, November 09, 2039	2,412,920	2,482,732	
1000000	Sobeys Inc., 6.640%, June 07, 2040	1,200,700	1,265,722	
1000000	TELUS Corp., 4.750%, January 17, 2045	992,910	1,040,073	
2000000	Teranet Holdings LP, 6.100%, June 17, 2041	2,320,000	2,363,202	
2000000	TransAlta Corp., 5.000%, November 25, 2020	2,104,200	2,090,809	
Total Corporate Bonds		25,035,451	25,680,904	35.26%
Mortgage Backed Securities				
4000000	Merrill Lynch Financial Assets Inc., 5.192%, January 12, 2040	3,718,200	4,020,000	
5188000	Merrill Lynch Financial Assets Inc., 5.219%, March 12, 2049	4,048,401	5,291,760	
Total Mortgage Backed Securities		7,766,601	9,311,760	12.79%
Total Bonds and Mortgage Backed Securities		62,808,907	65,888,388	90.47%
Total Investments		68,840,127	71,919,608	98.75%
Cash and other assets, net of liabilities			907,395	1.25%
Net assets			72,827,003	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 and further amended on March 15, 2010. 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 and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The financial statements are authorized for issuance by Ridgewood Capital Asset Management Inc. on March 13, 2015.

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 and adoption of IFRS

These annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

4. Summary of significant accounting policies

Financial instruments

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

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

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

Recognition, Initial Measurement and Classification

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the FVTPL designation for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading.

Capital Disclosures

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

Valuation of Investments

The Fund's financial instruments may include short-term investments and bonds (collectively referred to as investments), cash, subscriptions receivable, due from broker, due to broker, redemptions payable, distributions payable and accrued expenses. Investments are valued at fair value using the policies described below.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3.

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

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

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

Cash is comprised of cash on deposit.

Investment Transactions and Income Recognition

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

4. Summary of significant accounting policies (continued)

Income Recognition

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

Financial Instruments – Disclosures

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

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

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

a) Bonds and short-term investments

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

Please see Note 11 for these disclosures.

Foreign currency

a) Functional and presentation currency

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

b) Foreign currency translation

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

Critical accounting estimates and judgments

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

4. Summary of significant accounting policies (continued)

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

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 for further information about the fair value measurement of the Fund's financial instruments.

b) Classification and measurement of investments designated as FVTPL

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

5. Redeemable Units

Each unitholder in the Fund acquires redeemable units, which represent an undivided interest in the net assets of the Fund. All redeemable units are of the same class with equal rights and privileges. 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. 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.

Following are the unit transactions during the year from January 1 to December 31, 2014 and January 1 to December 31, 2013:

	2014	2013
Units outstanding, beginning of year	**4,211,098**	9,531,017
Units issued for cash	**4,638,740**	1,000,104
Units redeemed	**(2,775,987)**	(6,509,092)
Units issued on reinvestment of distributions	**84,523**	189,069
Units outstanding, end of year	**6,158,374**	4,211,098

6. Related party transactions

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

Management fees

Under the terms of the Master Investment Agreement dated September 1, 2008, the Fund appointed the Manager to provide management services. The Manager receives a fee based on the NAV of the Fund's units, accrued daily and payable monthly out of the assets of the Fund. The maximum management fee is equal to 0.50% (excluding HST) of the net asset value of the Fund. Services received under the Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund. Total Management fees for the period ended December 31, 2014 amounted to $461,643 (December 31, 2013 - $645,598).

Independent Review Committee fees

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

7. Management fees and expenses

Ridgewood is entitled to an annual management fee payable out of the assets of the Fund. The 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.

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

8. Distributions

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

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

9. 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, 2014, capital losses of $5,085,607 (2013 - $3,831,180) 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.

10. 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 December 31, 2014

	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	**86,535**	**-**	**6,031,220**	**-**	**-**	**65,888,388**	**-**	**72,006,143**

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	815,629	-	-	-	999,626	44,520,463	-	46,335,718

As at January 1, 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	21,535,263	-	-	1,013,892	10,371,277	74,235,853	-	107,156,285

At December 31, 2014, 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 $5.8 million (December 31, 2013 - $3.1 million, January 1, 2013 -$7.6), arising substantially from the increase in market values of debt securities, with a small portion affecting interest rate futures. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets attributable to holders of redeemable units would amount to approximately $5.8 million (December 31, 2013 - $3.1 million, January 1, 2013 - $7.6 million).

10. Financial instruments and risk management (continued)

Credit Risk

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

The Fund's main credit risk concentration is spread between 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.

Portfolio by rating category

Rating	**December 31, 2014 As a % of net assets attributable to holders of redeemable units**
AAA/Aaa	**31.04%**
AA/Aa	**20.25%**
A/A	**8.43%**
BBB/Baa	**39.03%**
Unrated	**0.00%**
Total	**98.75%**

Portfolio by rating category

Rating	December 31, 2013 As a % of net assets attributable to holders of redeemable units
AAA/Aaa	25.93%
AA/Aa	14.70%
A/A	27.02%
BBB/Baa	32.44%
Unrated	0.00%
Total	100.09%

Portfolio by rating category

Rating	January 1, 2013 As a % of net assets attributable to holders of redeemable units
AAA/Aaa	47.72%
AA/Aa	6.47%
A/A	12.12%
BBB/Baa	30.34%
Unrated	0.00%
Total	96.65%

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.

10. Financial instruments and risk management (continued)

Liquidity Risk

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

The Fund's short-term investments of approximately $6.0 million (December 31, 2013 - $0.8 million, January 1, 2013 - $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.

December 31, 2014						
Financial Liabilities		On Demand		< 3 Months		Total
Redemptions payable	$	-	$	82,237	$	82,237
Accrued expenses		-		120,200		120,200
Redeemable units		72,827,003		-		72,827,003
Total iabilities	**$**	**72,827,003**	**$**	**202,437**	**$**	**73,029,440**

December 31, 2013						
Financial Liabilities		On Demand		< 3 Months		Total
Redemptions payable	$	-	$	216,260	$	216,260
Accrued expenses		-		83,163		83,163
Redeemable units		46,295,450		-		46,295,450
Total liabilities	$	46,295,450	$	299,423	$	46,594,873

January 1, 2013						
Financial Liabilities		On Demand		< 3 Months		Total
Redemptions payable	$	-	$	298,386	$	298,386
Distributions payable		-		238,275		238,275
Accrued expenses		-		162,096		162,096
Redeemable units		104,257,565		-		104,257,565
Total liabilities	$	104,257,565	$	698,757	$	104,956,322

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:

10. Financial instruments and risk management (continued)

Concentration risk (continued)

Market segments	December 31, 2014	December 31, 2013	January 1, 2013
Canadian Short Term Investments	8.28%	1.76%	20.08%
Federal Bonds	12.61%	19.91%	19.65%
Provincial Bonds	22.20%	22.02%	9.29%
Municipal Bonds	7.61%	6.39%	2.97%
Corporate Bonds	35.26%	11.58%	21.80%
Mortgage Backed Securities	12.79%	38.43%	26.12%
Total	98.75%	100.09%	99.91%

11. 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 4. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2014, December 31, 2013 and January 1, 2013.

				Financial assets at fair value as of December 31, 2014
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	**86,535**	**-**	**-**	**86,535**
Bonds	**-**	**56,576,628**	**-**	**56,576,628**
Mortgage Backed Securities (MBS)	**-**	**9,311,760**	**-**	**9,311,760**
Short Term Investments	**-**	**6,031,220**	**-**	**6,031,220**
	86,535	**71,919,608**	**-**	**72,006,143**

				Financial assets at fair value as of December 31, 2013
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	69,674	-	-	69,674
Bonds	-	27,728,587	-	27,728,587
Mortgage Backed Securities (MBS)	-	17,791,502	-	17,791,502
Short Term Investments	-	815,629	-	815,629
	69,674	46,335,718	-	46,405,392

				Financial assets at fair value as of January 1, 2013
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	349,999	-	-	349,999
Bonds	-	57,608,402	-	57,608,402
Mortgage Backed Securities (MBS)	-	28,012,620	-	28,012,620
Short term Investments	-	21,535,263	-	21,535,263
	349,999	107,156,285	-	107,506,284

11. Financial Instruments – Disclosures (continued)

Fair Value Disclosure (continued)

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

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

12. Financial instruments by category

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

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

Financial assets at fair value through profit or loss	**December 31, 2014**	December 31, 2013	January 1, 2013
Designated as at fair value through profit or loss	**65,888,388**	45,520,089	85,621,022
Held for trading	**-**	-	-

Net realized gains/(losses) on financial assets at fair value through profit or loss	**Year ended 'December 31, 2014**	Year ended 'December 31, 2013
Designated as at fair value through profit or loss	**1,426,873**	(221,742)
Held for trading	-	-

Net change in unrealized gains/(losses) on financial assets at fair value through profit or loss	**Year ended 'December 31, 2014**	Year ended 'December 31, 2013
Designated as at fair value through profit or loss	**2,539,127**	(1,448,541)
Held for trading	-	-

13. Transition to IFRS

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

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit or loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Reconciliation of net assets attributable to holders of redeemable units and comprehensive income as previously reported under Canadian GAAP to IFRS.

13. Transition to IFRS (continued)

Net assets attributable to holders of redeemable units		**December 31, 2013**		**January 1, 2013**
Equity as reported under Canadian GAAP	$	46,269,961	$	107,169,542
Revaluation of investments at fair value through profit or loss		25,489		88,023

Comprehensive Income		**Year ended December 31, 2013**
Comprehensive income as reported under Canadian GAAP	$	474,564
Revaluation of investments at fair value through profit or loss		(62,534)
Increase (decrease) in Net assets attributable to holders of redeemable units	$	412,030

Classification of redeemable units issued by the Fund

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

Revaluation of investments at Fair Value through Profit or Loss

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $25,489 in December 31, 2013 and $88,023 at January 1, 2013. The impact of these adjustments was to (decrease) the Fund's net assets attributable to holders of redeemable units by ($62,534) for the year ended December 31, 2013.

Reclassification adjustments

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

14. Future accounting policies

Accounting standards issued but not yet adopted

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

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

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian *Bond Fund*

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