



Ridgewood Canadian Investment Grade Bond Fund

Interim Financial Report (Unaudited)
For the six months ended June 30, 2012

Ridgewood Investment Grade Bond Fund
Interim Financial Report (Unaudited)

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Message to Unitholders

Capital markets in the first part of 2012 can be characterized as structurally weak save for bonds and U.S. equities. A number of European banks were downgraded as real estate write-downs, high debt loads and declining revenues finally caught up with them. Credit default swaps, which are a form of insurance on bond holdings, remain higher than government yields although not at the levels seen in 2008 or 2011. Riots were the norm in Greece and that has now shifted to Spain and Italy as they have been the hardest hit on recent austerity measures aimed at bringing down their budget deficits. The flight to quality to Canadian Government bonds pushed interest rates down across the yield curve to levels not seen since the collapse of Lehman Brothers in 2008.

During the second quarter, sovereign risk is still the concern but the European Central Bank (ECB) seems to be focused on trying to save the situation. Government bonds performed well during this period but corporate bonds were the top performing sector in the bond market. Given the decline in interest rates, bonds have been the most attractive asset class this year although U.S. equities are beginning to challenge them. Currently corporate bond spreads represent excellent value and our view is to take advantage of the current yields to add to corporate positions in the portfolio.

The Bank of Canada has been on hold in regard to interest rates this year and has recently stated that it is likely to remain on hold given the uncertain global economic environment. They are acutely aware of the recent credit crisis in Europe and the resulting slowdown that it will have on global growth. The U.S. economy has been showing signs of deceleration lately and the Canadian market which is closely linked, will feel the effects very soon. The Canadian dollar has been very strong given the attractiveness of our capital markets and this has helped keep inflation in check. A strong dollar also has the effect of a potential drag on future growth.

It appears that the global economy is heading into a soft patch in the second half of 2012 and we will be fully invested in our bond portfolios. We prefer bonds with longer maturities given the steepness of the yield curve and the fact that overnight interest rates will not rise for the foreseeable future. Corporate bonds represent excellent value and will continue to be one of the top performing sectors.

June 30, 2012

Ridgewood Investment Grade Bond Fund

Interim Financial Report 2012 (Unaudited)

UNAUDITED SEMI-ANNUAL REPORT STATEMENT

The accompanying 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 accordance with Canadian generally accepted auditing standards.

Ridgewood Canadian Investment Grade Bond Fund

Management's Responsibility for Financial Reporting

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

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



John H. Simpson, CFA
Managing Director
Ridgewood Capital Asset Management Inc.



Paul W. Meyer, CFA
Managing Director
Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Investment Grade Bond Fund

Statements of net assets

As at June 30, 2012 (*unaudited*) and December 31, 2011

	2012	2011
Assets	\$	\$
Cash and cash equivalents	22,231	1,286,745
Investments at fair value (cost 2012 - \$94,244,445, 2011 - \$95,804,118)	97,975,593	95,945,215
Accrued interest receivable	1,255,816	759,830
	<u>99,253,640</u>	<u>97,991,790</u>
Liabilities		
Accrued expenses	83,554	449,003
Distribution payable	371,532	-
Loans Payable (Note 7)	16,675,664	20,048,219
	<u>17,130,750</u>	<u>20,497,222</u>
Total net assets and securityholders' equity	82,122,890	77,494,568
Total net assets and securityholders' equity, Class A	82,122,890	77,494,568
Units outstanding, Class A (note 4)	7,076,807	7,076,807
Net assets per unit, Class A (Note 9)	11.60	10.95

(See accompanying notes to financial statements)

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



John H. Simpson, CFA
Managing Director



Paul W. Meyer, CFA
Managing Director

Ridgewood Canadian Investment Grade Bond Fund

Statements of financial operations (unaudited)

For the Periods Ended June 30

	2012	2011
	\$	\$
Revenue		
Interest	2,937,298	1,881,344
Expenses		
Management fees (Note 5)	218,034	159,405
Audit fees	14,884	13,780
Independent Review Committee fees	9,514	13,100
Custodial fees	2,193	2,152
Legal fees	24,749	49,232
Securityholder reporting costs	12,729	30,369
Administration fees	111,761	84,637
Interest and bank fees	160,871	59,770
	554,735	412,445
Net investment income for the period	2,382,563	1,468,899
Realized and unrealized gain (loss) on investments		
Net realized gain	909,901	395,651
Change in unrealized gain (loss)	3,590,051	(18,385)
Net gain on investments	4,499,952	377,266
Increase in net assets from operations	6,882,515	1,846,165
Increase in net assets from operations, Class A	6,882,515	1,846,165
Increase in net assets from operations per Unit, Class A	0.98	0.63

(See accompanying notes to financial statements)

Ridgewood Canadian Investment Grade Bond Fund

Statements of changes in net assets (unaudited)

For the Periods Ended June 30

	2012	2011
	\$	\$
Net assets, beginning of period	77,494,568	54,267,563
Increase in net assets from operations	6,882,515	1,846,165
Capital transactions		
Issue Costs	(25,000)	-
Proceeds from the issuance of securities of the investment fund	-	2,378,836
Aggregate amounts paid on redemption of securities of the investment fund	-	(11,363)
Distributions:		
Net investment income	(2,229,193)	(2,428,832)
Net assets at the end of the period	82,122,890	56,052,369

(See accompanying notes to financial statements)

Ridgewood Canadian Investment Grade Bond Fund

Statements of Gain on Sale of Investments (unaudited) For the Periods Ended June 30

		2012	2011
Proceeds from Sale of Investments	\$	40,734,496	\$ 67,342,833
Cost of Investments Sold or Matured			
Cost of Investments Held at Beginning of Period		95,804,118	57,676,099
Purchases		38,264,922	71,511,326
		134,069,040	129,187,425
Cost of Investments Held at End of Period		94,244,445	62,240,243
		39,824,595	66,947,182
Net Realized Gain on Sale of Investments		909,901	395,651

(See accompanying notes to financial statements)

Ridgewood Canadian Investment Grade Bond Fund

Statements of cash flow

For the period ended June 30, 2012 and year ended December 31, 2011

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING ACTIVITIES		
Increase (decrease) in net assets from operations	\$ 6,882,515	\$ (1,331,573)
Adjustments to reconcile to operating cash flows:		
Purchase of investments	(38,264,922)	(173,358,787)
Proceeds from investments sold	39,824,595	135,230,768
Change in unrealized gain (loss) on investments	(3,590,051)	848,812
	4,852,137	(38,610,780)
Net change in non-cash operating working capital		
Change in accrued interest receivable	(495,986)	(463,762)
Change in accrued expenses	(365,449)	402,281
Cash flows used in operating activities	3,990,702	(38,672,261)
FINANCING ACTIVITIES		
Proceeds from issuance of units	-	30,384,440
Issue costs paid	(25,000)	(876,543)
Amount paid for securities redeemed	-	(4,499,147)
Distribution of net investment income	(1,857,661)	(2,167,049)
Distribution of return of capital	-	(2,716,222)
Change in loan payable	(3,372,555)	19,293,232
Cash flows from financing activities	(5,255,216)	39,418,711
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,264,514)	746,450
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,286,745	540,295
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 22,231	\$ 1,286,745
SUPPLEMENTAL INFORMATION		
Interest paid	-	222,013
Tax paid	-	-

(See accompanying notes to financial statements)

Ridgewood Canadian Investment Grade Bond

Statement of Investment Portfolio (unaudited)

As at June 30, 2012

Par Value	Security	Average Cost	Fair Value
		\$	\$
Canadian Bonds (61.2%)			
Corporate Bonds (27.5%)			
4,500,000	Algonquin Power Co., Callable, 5.50%, 2018/07/25 *	4,626,800	4,646,866
2,000,000	CIBC Capital Trust, Series 'A', Callable, 9.98%, 2019/06/30 *	2,630,080	2,638,065
2,000,000	CIBC Capital Trust, Callable, 10.20%, 2039/06/30 *	2,865,610	2,786,304
3,580,000	Manulife Financial Capital Trust II, Series '1', Variable Rate, Callable, 7.41%, 2019/12/31 *	4,112,626	4,017,196
2,000,000	Nova Scotia Power Inc., Series 'L', 8.30%, 2036/03/21 *	2,995,400	3,168,341
1,750,000	TD Capital Trust IV, Series '2', Variable Rate, Callable, 10.00%, 2039/06/30	2,357,005	2,461,060
1,400,000	TransAlta Corp., Callable, 7.30%, 2029/10/22	1,449,812	1,459,886
1,392,000	TransAlta Corp., 6.90%, 2030/11/15 *	1,443,599	1,397,369
		22,480,932	22,575,087
Asset-Backed Securities (33.7%) (ABS)			
3,100,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2011-1', Callable, 5.28%, 2021/02/12	2,899,833	3,229,745
4,676,000	Merrill Lynch Financial Asset Inc., Class 'B', Series '2007-CDA23', Variable Rate, 5.72%, 2017/08/12	3,619,692	4,644,203
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D1', Series '2007-CA23', Callable, 5.73%, 2017/08/12	4,726,750	4,726,750
5,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2006-CA19', Callable, 5.46%, 2039/06/12	4,577,500	4,882,500
4,111,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA21', Variable Rate, 5.22%, 2040/01/12	3,821,380	3,885,306
4,000,000	Merrill Lynch Financial Asset Inc., Class 'D', Series '2007-CA22', Variable Rate, Callable, 5.17%, 2049/03/12	3,120,000	3,274,800
3,155,000	Real Estate Asset Liquidity Trust, Class 'D1', Series '2005-2', Variable Rate, Callable, 5.12%, 2015/10/12	2,987,244	3,070,198
		25,752,399	27,713,502
Total Canadian Bonds and ABS		48,233,331	50,288,589
U.S. Bonds (42.7%)			
Corporate Bonds (42.7%)			
4,500,000	Bank of America Corp., Variable Rate, Callable, 1.82%, 2016/06/01 *	3,577,500	3,915,000
6,000,000	Citigroup Inc., Variable Rate, Callable, 5.16%, 2027/05/24 *	5,031,640	5,319,099
5,000,000	Citigroup Inc., 5.37%, 2036/03/06 *	4,060,862	4,065,561
4,000,000	Goldman Sachs Group Inc. (The), 5.00%, 2018/05/03 *	3,811,200	3,981,579
5,396,000	Goldman Sachs Group Inc. (The), Variable Rate, Callable, 5.20%, 2022/04/19	4,886,488	5,005,500
3,500,000	JPMorgan Chase & Co., Variable Rate, Callable, 5.06%, 2021/02/22 *	3,380,858	3,494,958
4,750,000	Merrill Lynch & Co. Inc., Variable Rate, Callable, 5.29%, 2022/05/30	4,552,769	4,410,513
5,000,000	Morgan Stanley, Series 'F', Callable, 4.90%, 2017/02/23	4,767,547	4,881,323
		34,068,864	35,073,533
TOTAL U.S. Bonds		34,068,864	35,073,533
Global Bonds (15.4%)			
Corporate Bonds (15.4%)			
4,000,000	Lloyds TSB Bank PLC, 5.28%, 2016/04/19	4,003,400	4,121,080
5,000,000	Lloyds TSB Bank PLC, Callable, 10.10%, 2021/12/16 *	4,783,850	5,312,391
3,000,000	Royal Bank of Scotland PLC (The), Variable Rate, Callable, 10.50%, 2022/03/16	3,155,000	3,180,000
		11,942,250	12,613,471
Total Global Bonds		11,942,250	12,613,471
Total Investment Portfolio (119.3%)		94,244,445	97,975,593
Cash and cash equivalents (0.0%)			22,231
Other assets less liabilities (-19.3%)			(15,874,934)
Net assets at fair value (100.0%)			82,122,890

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

(See accompanying notes to financial statements.)

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

June 30, 2012 (Unaudited)

1. ESTABLISHMENT OF THE FUND

Ridgewood Investment Grade Bond Fund (the "Fund") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to, as amended and restated, the Declaration of Trust, dated March 31, 2011 and a public offering in a prospectus dated November 27, 2009. Ridgewood Capital Asset Management Inc. is the Manager and Trustee of the Fund. The Fund's principal office is 55 University Avenue, Suite 1020, Toronto, Ontario M5J 2H7. The fiscal year end of the Fund is December 31.

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

2. INVESTMENT OBJECTIVE OF THE FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Capital Disclosures

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

Valuation of Investments

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

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

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

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

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

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

Income recognition

Interest income is recognized on an accrual basis.

Financial Instruments - Disclosures

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

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

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

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

June 30, 2012 (Unaudited)

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

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

Please see Note 11 for these disclosures.

4. UNITHOLDERS' EQUITY

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

Following are the unit transactions during the period:

June 30, 2012

	2012
Units outstanding, Beginning of period	7,076,807
Units issued for cash	-
Units redeemed	-
Units issued on reinvestment of distributions	-
Units outstanding, end of period	7,076,807

December 31, 2011

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

5. MANAGEMENT FEES AND EXPENSES

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

Ongoing expenses are paid out of the assets of the Fund and include all normal day-to-day operating expenses of the Fund, including without limitation, mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses. Fees payable to the Custodian, the registrar and transfer agent, the Valuation Agent and/or other parties engaged by the Fund for performing certain financial, record keeping, reporting and general administrative services are charged to the Fund. Any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund, fees are payable to the Manager for performance of extraordinary services on behalf of the Fund, auditors and legal advisors; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Fund; and fees payable to the members of the independent review committee of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager or any other party is entitled to indemnity by the Fund. The Fund will be responsible for its costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.

6. DISTRIBUTIONS

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

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

7. LOAN PAYABLE

The Fund has a margin account held at Scotiabank which requires collateral against loans (see Statement of Investments). The Fund can borrow an amount up to 25% of the total assets of the Fund. Total interest and bank fees on the account were \$160,871 for the period (2011 - \$222,013 for the year). The account is charged interest based on Bloomberg Ticker Reference plus

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

June 30, 2012 (Unaudited)

70bps on debit spread or minus 25 bps on credit spread. As at June 30, 2012 the balance of the account was \$16,675,664 (2011 - \$20,048,219). During the period the maximum amount borrowed was \$25,540,981 (2011 - \$32,579,177 in the year) and the minimum amount borrowed was \$9,071,977 (2011 - \$754,987 in the year). If interest rates had increased/decreased by 100 basis points interest expensed would have changed by approximately \$94,774 (2011 - \$200,482 for the year).

8. INCOME TAXES

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

As at December 31, 2011 taxation year-end, there are \$3,824,873 capital losses and no non-capital losses are available for carryforward.

9. NET ASSET VALUE AND NET ASSETS

The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value be calculated in accordance with Canadian GAAP. As a result of the amendments, the Net Asset Value of the Fund will continue to be calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). The adoption of these new rules will result in a different Net Assets per unit for financial reporting purposes and Net Asset Value per unit due to the use of different valuation techniques. The Net Asset Value per unit at June 30, 2012 and December 31, 2011 is as follows:

June 30, 2012	
Net Asset Value	\$11.64
Difference	(0.04)
Net Assets	\$11.60

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

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Interest Rate Risk

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

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

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

As at June 30, 2012:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	\$	\$	\$
Interest Rate Exposure	16,675,664	-	-

	1-3 years	3-5 years	More than 5 years
Investments	\$	\$	\$
Interest Rate Exposure	\$	- 15,987,601	81,987,992

	Non Interest bearing	Total
	\$	\$
Interest Rate Exposure	-	97,975,593

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June 30, 2012 (Unaudited)

As at December 31, 2011:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	\$	\$	\$
Interest Rate Exposure	20,048,219	-	-

	1-3 years	3-5 years	More than 5 years
Investments	\$	\$	\$
Interest Rate Exposure	-	10,601,361	85,343,854

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

At June 30, 2012, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the period would amount to approximately \$5.9 million (2011 - \$5.8 million), arising substantially from the increase in market values of debt securities, with a small portion affecting interest rate futures. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets would amount to approximately \$5.9 million (2011 - \$5.8 million).

Credit Risk

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

The Fund's main credit risk concentration is spread between short-term debt securities.

The Fund invests in financial assets, which have an investment grade as rated by a well-known rating agency.

Portfolio by rating category

June 30, 2012

Rating	As a % of Net Assets
AAA/Aaa	-
AA/Aa	5.66%
A/A	27.95%
BBB/Baa	85.69%
Total	119.30%

Portfolio by rating category

December 31, 2011

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

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

Currency Risk

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

Liquidity Risk

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

11. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's financial assets and liabilities recorded at fair value have been categorized based upon a fair value

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

June 30, 2012 (Unaudited)

hierarchy described in Note 3. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011.

Financial Assets at fair value as of June 30, 2012				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	70,262,091	-	70,262,091
Asset-backed securities	-	27,713,502	-	27,713,502
Cash	22,231	-	-	22,231
Loan payable	-	(16,675,664)	-	(16,675,664)
Total	22,231	81,299,929	-	81,322,160

Financial Assets at fair value as of December 31, 2011				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	72,887,444	-	72,887,444
Asset-backed securities	-	23,057,771	-	23,057,771
Cash	1,286,745	-	-	1,286,745
Loan payable	-	(20,048,219)	-	(20,048,219)
Total	1,286,745	75,896,996	-	77,183,741

12. FUTURE ACCOUNTING POLICY CHANGES

Transition to International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers. Under the previous transition rules for publicly accountable enterprises the Fund(s) would adopt IFRS for their fiscal period beginning January 1, 2011.

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

In preparing to meet the requirements, the Manager has taken the following steps in managing the transition to IFRS:

Established a working group to identify key differences between Canadian GAAP and IFRS and to coordinate the implementation of the transition plan,

Identified areas where changes in disclosure will be required under IFRS standards,

Evaluated current information technology & reporting systems for readiness in IFRS implementation,

Assessed the likely impacts on business activity and operational areas such as internal controls, staffing and training requirements.

The major changes identified for IFRS financial statements include the addition of a Statement of cash flows and the classification of unitholders' equity (puttable instruments) as a liability within the statement of net asset's, unless certain conditions are met.

Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is expected to have no impact on the calculation of net assets or net asset value. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. However, the Manager's assessment may change if new standards are issued or if the interpretations of current standards are revised.

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