



Ridgewood Canadian Investment Grade Bond Fund

Annual Report 2020 and 2019

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Management Report on Fund Performance 1-8

Independent Auditor’s Report 9-10

Statements of Financial Position..... 11

Statements of Comprehensive Income 12

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units 13

Statements of Cash Flows 14

Schedule of Investments 15

Notes to the Financial Statements 16-22

MESSAGE TO UNITHOLDERS 2020

The year 2020 started out very strongly as unemployment rates were at cycle lows and economic growth was running close to 3%. Stock and bond markets were positive and the biggest risk to the market was the potential of interest rate hikes later in the year. Unfortunately, the world got hit with the COVID-19 virus which essentially locked down the global economy. GDP dropped 6.8% in the 1st quarter as workers were sent home to isolate and businesses catering to the public shut down. Retail was hit the worst as shopping malls and restaurants closed leading to a rise in the unemployment rate from 5.7% to 8%. Equities dropped 21% as investors panicked, not knowing the extent of the spread of the virus. Bonds benefitted from the flight to quality trade as the index gained 1.5%. The Bank of Canada aggressively cut the overnight lending rate 3 times, dropping the rate to a record low of .25% from 1.75%. Corporate bonds struggled in an environment where investors were risk averse. The corporate index dropped 2.48% in the first quarter, while the overall bond index lost 2%

In the 2nd quarter, the performance in both stocks and bonds was very strong as Central banks instituted emergency measures to calm the capital markets. The Bank of Canada and the Federal Reserve began buying corporate bonds, and ETFs to bring liquidity back into the market. As the saying goes, do not fight the FED; so the markets followed what they were doing and began to put money back to work. The TSX was up a solid 16% in Q2 while bonds were also strong, returning 6%. Corporate bonds solidly outperformed the index, returning 8.1%. Economic growth rebounded strongly as GDP was up 6.1% from the Q1 trough. Unfortunately, those workers displaced during the Q1 lockdown did not return to work and the unemployment rate jumped to 12.5%.

Uncertainty remained high during the 3rd quarter, but the markets continued to heal, as Governments rolled out multiple stimulus packages to help individuals make ends meet. The bond market was up only .44% although corporate bonds outperformed by 100 basis points. Equities continued to be positive, rallying 4% in the quarter. Economic growth continued to rise to 4.2% with the unemployment rate dropping to 9.2%

During the 4th quarter, corporate bonds continued their positive outperformance, beating the index by 120 basis points, which was up a modest .63%. The low level of Government bond yields tempered returns as they comprised most of the bond index. Economic growth cooled to a more normal trend of 1.7% while the unemployment rate dropped again to 8.8%. Equities were the star of the show again, returning 8% to investors as positive news on the vaccine front began to surface.

Accommodative global monetary policy is expected to continue into 2021. Government bonds are at record low yields and do not offer an attractive risk/return profile. Corporate bonds, particularly BBB rated credits, will continue to outperform the underlying bond index.

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2020

Management Report on Fund Performance

This Management Report on Fund Performance has been prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) and contains the financial highlights of Ridgewood Canadian Investment Grade Bond Fund (the "Fund") for the year ended December 31, 2020. The annual audited financial statements of the Fund are also attached behind this report.

Copies of the Fund's quarterly portfolio disclosure may be obtained by visiting our website at www.ridgewoodcapital.ca or by calling-1-888-789-8957 toll free or by writing to the Fund at Investor Relations, 55 University Avenue, Suite 1020, Toronto, Ontario, M5J 2H7.

Investment Objectives and Strategies

The Fund will seek to achieve the following investment objectives:

- to provide unitholders with monthly cash distributions, initially targeted to be 5.25% per annum on the original issue price of \$12.00 per unit; and
- to maximize total returns for unitholders while preserving capital in the long term.

The portfolio of securities of the Fund (the "Portfolio") will be invested primarily in Investment Grade Bonds issued by Canadian issuers available to domiciled investors. Investment Grade Bonds means debt securities and term loans that are generally rated at or above BBB- from S&P, or Baa3 or higher from Moody's Investor Services Inc., or a similar rating from a qualified rating agency. Currently, the Fund may invest up to 35% of the Portfolio in Investment Grade Bonds issued by non-Canadian issuers. As at June 30 and December 31 of each year (each a "Determination Date"), at least 90% of the Portfolio will be invested in securities denominated in Canadian dollars.

Risk

The Fund invests primarily in liquid Canadian federal and provincial government securities, and those of Canadian corporations rated investment grade or better by the Dominion Bond Rating Service Limited or other recognized rating agencies. The Fund may also invest to a limited extent in comparable fixed income securities of foreign issuers. Investors should be aware that the primary risk associated with the Fund is interest rate risk. The Bank of Canada has an easing bias as inflation is low. 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 the Fund's investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at www.ridgewoodcapital.ca.

The following table shows a summary of the Fund's investment portfolio as at December 31, 2020.

Asset Mix

December 31, 2020

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	86.6	Asset-Backed Securities	44.4
Foreign Bonds	4.4	US Corporate Bonds	3.0
Federal Bonds	1.6		

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2020

Top 25 Holdings

	Percentage of Net Asset value
1. Canadian Imperial Bank of Commerce, 4.375%, 2025/09/28	6.9%
2. TransCanada Trust Series 2017-A, 4.65%, 2027/05/18	6.6%
3. Enbridge Inc., 5.38%, 2027/09/27	6.4%
4. Bank of Montreal, 4.30%, 2025/10/26	6.2%
5. Royal Bank of Canada, 4.50%, 2025/11/24	5.9%
6. National Bank, 4.30%, 2025/11/15	5.7%
7. Cameco Corp., 5.09%, 2042/11/14	5.2%
8. Husky Energy Inc., 3.50%, 2028/02/07	5.2%
9. REALT 2019-HBC, 4.352%, 2024/06/14	4.9%
10. Transalta Corp., 7.30%, 2029/10/22	4.6%
11. Transalta Corp, 6.90%, 2030/11/15	4.5%
12. Aroundtown SA, 4.625%, 2025/09/18	4.4%
13. ATCO Ltd., 5.5%, 2028/11/01	4.3%
14. Co-operators Financial Services Ltd., 3.327%, 2030/05/13	3.8%
15. Royal Bank, 4.00%, 2026/01/24	3.8%
16. Fairfax Financial Holdings Ltd., 4.23%, 2029/06/14	3.7%
17. REALT, Class 'D', Series '2016-1', 3.64%, 2026/05/12	3.6%
18. Teranet Holdings LP., 6.10%, 2041/06/17	3.5%
19. George Weston Ltd., 6.69%, 2033/03/01	3.5%
20. Institutional Mortgage Securities Canada Inc., 2013-4 D, 4.589%, 2023/11/12	3.4%
21. Institutional Mortgage Securities Canada Inc., 2013-4 C, 4.509%, 2023/11/12	3.0%
22. Citigroup Inc., 5.37%, 2036/03/06	3.0%
23. REALT Class D 2016-2, 3.813%, 2026/05/12	2.9%
24. Institutional Mortgage Securities Canada Inc., 2015-6 D, 3.813%, 2025/03/12	2.8%
25. Teranet Holdings LP., 5.754%, 2040/12/17	2.6%
Total	110.4%

Results of Operations

For the year ended December 31, 2020, the net asset value of the Fund was \$16.20 compared to \$15.07 per unit on December 31, 2019.

In 2020 there were twelve distributions of \$0.0530 each. The Fund will determine and announce each quarter the distribution amounts for the following quarter, based upon the Manager's estimate of distributable cash flow for the quarter. The Fund may make additional distributions in any given year.

For the year ended December 31, 2020, the Fund had an annual compound return of 11.99% net of fees of 1.32% (including HST). The FTSE Canada Universe Bond Index had a return of 8.66%, with corporate bonds gaining 8.74%. Infrastructure bonds and communication bonds were the top performers returning 10.44% and 10.49% respectively. The portfolio was fully invested in corporate bonds with a higher weight in mid-term bonds which provided the additional return above the index.

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2020

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information for the years ended December 31 is derived from the Fund's audited annual financial statements.

Information for the years ended December 31 is derived from the Fund's audited financial statements. The Net Assets per Unit table as at December 31 are from the Fund's audited financial statements. Calculations for the purposes of the MRFP are made using Net Asset Value. The Net Asset Value in the Ratio/Supplemental Data table is for fund pricing purposes. Both the Net Asset Value in the Net Assets per Unit table and the Ratio/Supplemental Data table are calculated using closing prices.

The Fund's Net Assets per Unit

Class A

	2020	2019	2018	2017	2016
Net assets value, beginning of year	\$ 15.07	\$ 13.77	\$ 14.09	\$ 13.55	\$ 13.50
Increase from operations:					
Total revenue	1.03	1.03	1.05	0.95	1.02
Total expenses	(0.20)	(0.28)	(0.26)	(0.20)	(0.19)
Realized gains (losses)	0.21	0.19	(0.11)	0.37	0.33
Unrealized gains (losses)	0.73	0.98	(0.37)	0.02	(0.45)
Total increase (decrease) from operations ⁽²⁾	1.77	1.92	0.31	1.14	0.71
Distributions:					
From net investment income (excluding dividends)	(0.80)	(0.78)	(0.76)	(0.76)	(0.80)
From dividends	-	-	-	-	-
From net realized capital gains	(0.28)	(0.09)	-	(0.32)	(0.18)
From return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	(1.08)	(0.87)	(0.76)	(1.08)	(0.98)
Net assets value, end of year (4)	\$ 16.20	\$ 15.07	\$ 13.77	\$ 14.09	\$ 13.55

⁽¹⁾ This information is derived from the Fund's audited financial statements as at December 31 of the year.

⁽²⁾ Net assets per security and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the average number of units outstanding over the financial year.

⁽³⁾ Distributions, if any, were paid in cash, reinvested in additional units of the Fund, or both.

⁽⁴⁾ The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Ratios and Supplemental Data

Class A

	2020	2019	2018	2017	2016
Net asset value (000's)	\$ 265,501	\$ 217,259	\$ 172,952	\$ 169,672	\$ 104,049
Number of units outstanding	16,390,022	14,413,488	12,563,499	12,040,621	7,679,487
Management expense ratio ⁽³⁾	1.32%	1.90%	1.89%	1.39%	1.39%
Management expense ratio before waivers or absorptions ⁽⁴⁾	1.32%	1.90%	1.89%	1.39%	1.39%
Trading expense ratio ⁽⁶⁾	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽⁵⁾	145.48%	95.65%	55.82%	92.29%	138.28%
Closing market price	\$ 17.00	\$ 16.84	\$ 14.88	\$ 14.99	\$ 14.55
Net asset value per unit, end of year	\$ 16.20	\$ 15.07	\$ 13.77	\$ 14.09	\$ 13.55

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2020

- (1) *The information is provided for the year ended December 31, 2020*
- (2) *The inception date for Class A is December 18, 2009.*
- (3) *Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets during the year. Out of its management fees, the Manager pays for such services to the Fund as portfolio manager compensation, service fees and marketing. Management expense ratio is inclusive of performance fees.*
- (4) *The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.*
- (5) *The Fund's portfolio turnover rate indicates how actively the Sub-Advisor trades the Fund's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.*
- (6) *The trading expense ratio represents total commissions and other portfolio transactions costs expressed as an annualized percentage of daily average net asset value during the year.*

Management Fees

Ridgewood Capital Asset Management Inc. (the "Manager") is entitled to an annual management fee payable out of the assets of the Fund. The maximum management fee is equal to 0.50% (plus applicable taxes) of the net asset value of the Fund. The management fee is calculated on a monthly basis as of the last valuation date of each month. Services received under the Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund.

Recent Developments

The pandemic lockdown due to COVID-19 was the main theme affecting global markets and the economy. Global growth was strong prior to the March lockdown so the economy had a head start before activity ground to a halt. Air travel, retail, restaurants, and hotels suffered substantially for most of 2020. The year began with investors eager to buy riskier assets such as equities and higher yielding corporate bonds. With the equity market suffering substantial losses there was a move to bonds. We finished off the year very strong due to the record stimulus by all Central Banks. Interest rates were cut to record lows which was positive for the bond market, with the FTSE Canada Universe Bond Index returning 8.66% for the year. The Bank of Canada cut rates 150 basis points during the year to help compensate for the massive job losses and market disfunction. The Federal Reserve in the U.S. cut rates by the same amount to spur lending and help individuals and corporations manage debt levels. Weak global industrial data brought with it talks of a recession, which were cast aside by year end as the stimulus and quantitative easing paved the way for a recovery. The focus now is on getting the vaccine out to the general population and slowly begin to open the economy again.

Past Performance

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

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

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

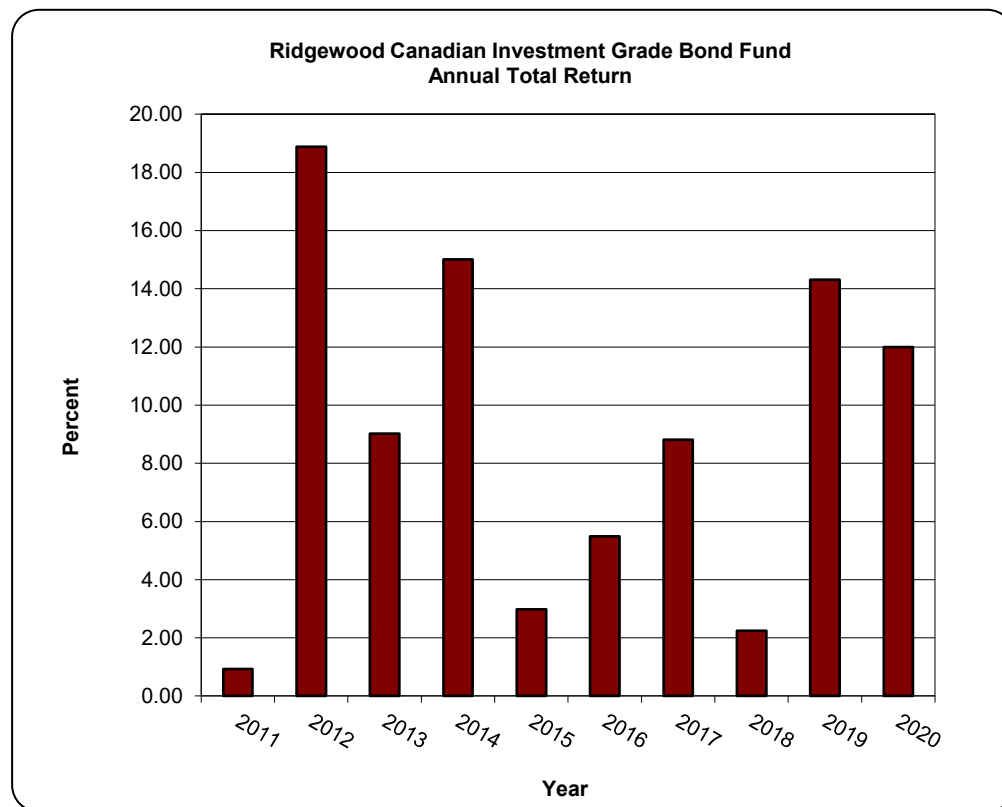
Year-By-Year Returns

The bar chart illustrates how the Fund's annual total return in each of the past ten years has varied. The chart also shows, in percentage terms, how much an investment made on January 1, of each year would have increased or decreased by the end of that fiscal year.

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2020

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return (net of fees of 1.32%, including HST) for the periods ended December 31 as compared to the performance of the FTSE TMX Canada Universal Bond Index.

	One Year	Three Years	Five Years	Ten Years
Ridgewood Canadian Investment Grade Bond Fund	11.99%	9.39%	8.48%	8.82%
FTSE TMX Canada Universe Bond *	8.66%	5.60%	4.18%	4.49%

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

Related Party Transactions

Ridgewood Capital Asset Management Inc. ("Ridgewood") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to the declaration of trust of the Fund dated November 27, 2009, as amended and restated on December 17, 2009.

Ridgewood is the Manager and Trustee of the Fund pursuant to the Declaration of Trust dated, and, as such, is responsible for providing or arranging for required administrative services to the Fund.

Ridgewood Canadian Investment Grade Bond Fund

For the year ended December 31, 2020

Independent Review Committee

National Instrument 81-107- Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions.

The members of the IRC of the Fund are G. Tomlinson Gunn, Allen B. Clarke, and Marshall E. Nicholishen. Mr. Gunn serves as the Chair of the IRC.

We confirm the Fund did not rely on any approvals or recommendation of the IRC concerning related party transactions during the year.

Forward-Looking Statements

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

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

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

Ridgewood Canadian Investment Grade Bond Fund

The financial statements have been prepared by management in accordance with 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 19, 2021

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management Report of Fund Performance
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Darroch.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 19, 2021

Ridgewood Canadian Investment Grade Bond Fund

Statements of Financial Position
As at December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
	\$	\$
Assets		
Financial asset at fair value through profit or loss (cost 31-Dec-20 - \$349,526,028; 31-Dec-19 - \$314,596,609)	371,680,317	325,652,781
Cash	6,431	4,200
Accrued interest receivable	2,486,005	2,322,002
Total Assets	374,172,753	327,978,983
Liabilities		
Redemptions payable	-	22,778
Accrued expenses	227,977	391,392
Distribution payable	868,671	763,915
Loan payable (Note 10)	107,575,122	109,541,475
Total Liabilities	108,671,770	110,719,560
Net assets attributable to holders of redeemable units	\$ 265,500,983	217,259,423
Number of units outstanding, Class A (Note 5)	16,390,022	14,413,488
Net assets attributable to holders of redeemable units per unit	16.20	15.07

The accompanying notes are an integral part of the 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 Comprehensive Income

For the years ended December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
	\$	\$
Income		
Interest for distribution purposes	15,670,724	14,512,186
Other income	32	-
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss		
Net realized gain on sale of investments	3,217,682	2,697,673
Net change in unrealized appreciation of investments	11,098,117	13,673,150
Total operating income	29,986,555	30,883,009
Expenses		
Management fees (Note 7)	1,289,841	1,096,423
Administration fees	348,521	321,711
Legal fees	46,243	60,563
Audit fees	46,635	55,617
Independent Review Committee fees	19,511	19,850
Total operating expenses	1,750,751	1,554,164
Operating profit	28,235,804	29,328,845
Finance cost		
Interest and bank fees (Note 10)	1,347,231	2,391,728
Increase in net assets attributable to holders of redeemable units	26,888,573	26,937,117
Increase in net assets attributable to holders of redeemable units per unit, Class A (based on weighted average number of units outstanding during the year -) (2020 - 15,227,854; 2019 - 14,058,884)	1.77	1.92

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

Ridgewood Canadian Investment Grade Bond Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the years ended December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
	\$	\$
Net assets attributable to holders of redeemable units at beginning of year	217,259,423	172,952,006
Increase in net assets attributable to holders of redeemable units	26,888,573	26,937,117
Distributions:		
From net investment income	(12,377,145)	(10,326,568)
From net realized capital gains	(4,598,348)	(1,305,992)
	9,913,080	15,304,557
Redeemable unit transactions		
Issue costs and agency fees	(498,068)	(497,665)
Proceeds from the issuance of units of the investment fund	31,744,845	26,883,660
Aggregate amounts paid on redemption of units of the investment fund	(155,707)	(22,778)
Securities issued on reinvestment of distributions	7,237,410	2,639,643
	38,328,480	29,002,860
Net assets attributable to holders of redeemable units at end of year	265,500,983	217,259,423

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

Ridgewood Canadian Investment Grade Bond Fund

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
	\$	\$
Cash provided by (used in) operating activities		
Net increase (decrease) in net assets attributable to holder of redeemable units	26,888,573	26,937,117
Adjustments for:		
Net realized gain on sale of investments	(3,217,682)	(2,697,673)
Net change in unrealized (appreciation) depreciation of investments	(11,098,117)	(13,673,150)
Purchase of investments	(537,195,977)	(339,121,005)
Proceeds from sale of investments	505,484,240	294,777,362
(Increase) in accrued interest receivable	(164,003)	(280,899)
(Increase) decrease in accrued expenses	(163,415)	88,712
	(19,466,381)	(33,969,536)
Cash flows from financing activities		
Proceeds from the issuance of units of the investment fund	31,744,845	26,883,660
Issue costs and agency fees paid	(498,068)	(497,665)
Aggregate amounts paid on redemption of units of the investment fund	(178,485)	-
Distributions paid to unitholders	(9,633,327)	(8,894,867)
Change in loan payable	(1,966,353)	16,475,983
	19,468,612	33,967,111
Increase (Decrease) in cash during the year	2,231	(2,425)
Cash, beginning of year	4,200	6,625
Cash, end of year	6,431	4,200
Supplemental information on cash flows from operating activities		
Interest received	15,506,721	14,231,287
Interest paid	1,502,140	2,353,349

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

Ridgewood Canadian Investment Grade Bond Fund

Schedule of Investments
As at December 31, 2020

Par Value	Security	Average Cost	Fair Value	% of net assets
	Canadian Bonds	\$	\$	
	Corporate Bonds			
10,000,000	ATCO Ltd., Series '18-1', Variable Rate, Restricted, Callable, 5.50%, 2078/11/01*	10,846,800	11,347,758	
16,000,000	Bank of Montreal, Variable Rate, Callable, 4.30%, 2080/11/26	16,175,500	16,501,279	
12,458,000	Cameco Corp., 5.09%, 2042/11/14*	11,718,933	13,943,660	
17,750,000	Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.38%, 2080/10/28	17,875,875	18,282,499	
10,000,000	Co-operators Financial Services Ltd., Callable, 3.33%, 2030/05/13*	10,000,000	10,215,634	
16,000,000	Enbridge Inc., Variable Rate, Callable, 5.38%, 2077/09/27*	15,993,337	16,987,492	
9,000,000	Fairfax Financial Holdings Ltd., Callable, 4.23%, 2029/06/14*	9,212,697	9,785,609	
6,800,000	George Weston Ltd., 6.69%, 2033/03/01*	8,522,350	9,230,034	
5,000,000	H&R REIT, Series 'R', Restricted, Callable, 2.91%, 2026/06/02	5,000,000	5,079,754	
13,500,000	Husky Energy Inc., Callable, 3.50%, 2028/02/07*	13,305,595	13,601,015	
6,000,000	MCAP Commercial L.P., Callable, 3.38%, 2027/11/26	6,000,000	6,099,142	
15,000,000	National Bank of Canada, Series '1', Variable Rate, Callable, 4.30%, 2080/11/15	15,000,000	15,224,100	
15,000,000	Royal Bank of Canada, Series '1', Variable Rate, Callable, 4.50%, 2080/11/24	15,205,179	15,671,700	
10,000,000	Royal Bank of Canada, Series '2', Variable Rate, Callable, 4.00%, 2081/02/24	10,007,000	10,179,300	
5,664,000	Teranet Holdings L.P., Callable, 5.75%, 2040/12/17*	5,760,010	6,897,633	
7,277,000	Teranet Holdings L.P., Callable, 6.10%, 2041/06/17*	8,243,042	9,268,073	
10,100,000	TransAlta Corp., Step Coupon, 6.90%, 2030/11/15*	10,485,575	11,862,220	
10,159,000	TransAlta Corp., 7.30%, 2029/10/22*	11,055,015	12,098,411	
17,000,000	TransCanada Trust, Series '17-B', Variable Rate, Callable, 4.65%, 2077/05/18*	16,002,195	17,520,524	
		216,409,103	229,995,837	86.63%
	Mortgage-Backed Securities			
3,034,000	Institutional Mortgage Securities Canada Inc., Class 'B', Series '2013-4', Variable Rate, 4.24%, 2023/10/12	3,033,479	3,153,843	
7,667,000	Institutional Mortgage Securities Canada Inc., Class 'C', Series '2013-4', Variable Rate, 4.59%, 2023/11/12	7,490,659	7,877,843	
2,422,000	Institutional Mortgage Securities Canada Inc., Class 'C', Series '2016-7', Variable Rate, Callable, 3.60%, 2026/10/12	2,332,690	2,422,000	
9,087,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '13-4', Variable Rate, Callable, 4.59%, 2023/11/12	9,014,940	9,114,261	
3,100,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2011-1', Variable Rate, Callable, 5.28%, 2021/02/12	2,899,833	3,105,108	
6,000,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2012-2', Variable Rate, Callable, 4.70%, 2022/07/12	5,434,200	5,981,776	
7,677,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2015-6', Variable Rate, Callable, 3.83%, 2025/03/12	7,118,543	7,485,075	
6,460,000	Institutional Mortgage Securities Canada Inc., Class 'D', Series '2016-7', Variable Rate, Callable, 3.78%, 2026/10/12	5,681,760	6,153,150	
3,603,000	Institutional Mortgage Securities Canada Inc., Class 'E', Series '2012-2', Variable Rate, Callable, 4.70%, 2022/07/12	3,177,197	3,541,585	
2,523,000	Institutional Mortgage Securities Canada Inc., Class 'E', Series '2016-7', Variable Rate, Callable, 3.78%, 2026/10/12	2,110,162	2,321,160	
2,460,000	Real Estate Asset Liquidity Trust, Class 'C', Series '20-1', Callable, 3.55%, 2030/01/12	2,490,750	2,373,900	
4,800,000	Real Estate Asset Liquidity Trust, Class 'C', Series '2017', Variable Rate, Callable, 3.93%, 2027/07/12	4,379,765	4,879,200	
6,114,000	Real Estate Asset Liquidity Trust, Class 'C', Series '2018-1', Variable Rate, Restricted, Callable, 4.25%, 2028/05/12	5,827,922	6,272,964	
5,731,000	Real Estate Asset Liquidity Trust, Class 'C', Series '2019-1', Variable Rate, Restricted, Callable, 4.02%, 2029/05/12	5,597,483	5,731,000	
14,121,000	Real Estate Asset Liquidity Trust, Class 'C', Series '2019-HBC', Variable Rate, Callable, 4.45%, 2024/06/14	12,725,577	13,135,354	
3,850,000	Real Estate Asset Liquidity Trust, Class 'D', Series '2015-1', Floating Rate, Callable, 3.66%, 2025/07/12	3,405,221	3,724,875	
10,013,000	Real Estate Asset Liquidity Trust, Class 'D', Series '2016-1', Variable Rate, Callable, 3.67%, 2026/05/12	8,749,432	9,587,448	
8,000,000	Real Estate Asset Liquidity Trust, Class 'D', Series '2016-2', Callable, 3.62%, 2026/05/12	7,091,600	7,724,000	
2,216,000	Real Estate Asset Liquidity Trust, Class 'D1', Series '2018-1', Variable Rate, Restricted, Callable, 4.35%, 2028/05/12	1,959,962	2,156,168	
1,000,000	Real Estate Asset Liquidity Trust, Class 'D1', Series '2019-1', Variable Rate, Callable, 4.33%, 2054/06/12	981,000	950,500	
5,513,000	Real Estate Asset Liquidity Trust, Class 'E', Series '2016-1', Variable Rate, Callable, 3.67%, 2026/05/12	4,642,375	5,223,568	
5,269,000	Real Estate Asset Liquidity Trust, Class 'E', Series '2016-2', Variable Rate, Callable, 3.62%, 2026/06/12	4,466,456	4,952,860	
		110,611,006	117,867,638	44.39%
	Government of Canada			
3,600,000	Government of Canada, 2.00%, 2051/12/01	4,308,106	4,330,516	
		4,308,106	4,330,516	1.63%
	Total Canadian Bonds, Government Bonds and MBS	331,328,215	352,193,991	132.65%
	U.S. Bonds			
	Corporate Bonds			
6,350,000	Citigroup Inc., 5.37%, 2036/03/06*	7,666,969	7,863,084	
	Total U.S. Bonds	7,666,969	7,863,084	2.96%
	Foreign Bonds			
	Corporate Bonds			
10,550,000	Aroundtown SA, Callable, 4.63%, 2025/09/18*	10,530,844	11,623,242	
	Total Foreign Bonds	10,530,844	11,623,242	4.38%
	Total Investment Portfolio	349,526,028	371,680,317	139.99%
	Cash and cash equivalents		6,431	0.00%
	Other assets less liabilities		(106,185,765)	-39.99%
	Total net assets attributable to holders of redeemable units		265,500,983	100.00%

* These securities are held as collateral with Scotiabank for the loan payable or margin account (Note 9)

The accompanying notes are an integral part of these financial statements

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2020 and 2019

1. ESTABLISHMENT OF THE FUND

Ridgewood Canadian Investment Grade Bond Fund (the "Fund") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust dated November 27, 2009, as amended and restated. Ridgewood Capital Asset Management Inc. ("Ridgewood" or the "Manager") 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 of the Fund. CIBC Mellon Trust Company is the custodian and registrar and AST is the transfer agent of the Fund, and, as such, they perform certain valuation and other services for the Fund. The Fund commenced operations on December 18, 2009. On September 24, 2019 unitholders approved the indefinite extension of the term of the Fund from December 31, 2019 onward. The financial statements were authorized for issuance by Ridgewood Capital Asset Management Inc. on March 19, 2021.

1. INVESTMENT OBJECTIVE OF THE FUND

The investment objective of the Fund is to maximize total returns for unitholders while preserving capital in the long term. The portfolio of securities of the Fund (the "Portfolio") will be invested primarily in investment grade bonds issued by Canadian issuers available to domiciled investors. Investment grade bonds means debt securities and term loans that are generally rated at or above BBB- from S&P, or Baa3 or higher from Moody's Investor Services Inc., or a similar rating from a qualified rating agency. Currently, the Fund may invest up to 25% of the Portfolio in investment grade bonds issued by non-Canadian issuers. As at December 31 of each year (each a "determination date"), at least 90% of the Portfolio will be invested in securities denominated in Canadian dollars.

3. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment fund and derivatives, cash and other trade receivable and payables. All financial assets and liabilities are recognized in the Statement of Financial

Position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund have transferred substantially all risks and rewards of ownership.

a) Classification and Measurement

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

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

Financial assets and financial liabilities at amortized cost

The financial assets and liabilities measured at amortized cost include loans payable, accrued interest receivable, cash, accrued expenses and distribution payable.

IFRS 9 Financial Instruments ("IFRS 9")

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

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

Capital Disclosures

The Fund's objectives, policies and processes for managing capital are described in Note 2. Information on the Fund's capital structure is described in Note 5.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2020 and 2019

The Fund does not have any externally imposed capital requirements.

Valuation of Investments

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

Bonds are valued at the mean of bid/ask prices provided by recognized investment dealers.

Short-term notes and treasury bills are stated at amortized cost, which approximates fair 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.

Income Recognition

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

Financial Instruments – Disclosures

The Fund classifies fair value measurements within a hierarchy that prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). 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 12 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:

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

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2020 and 2019

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

The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 13 – Financial Instruments – Fair Value Disclosure for further information about the fair value measurement of the Fund's financial instruments.

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

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

5. REDEEMABLE UNITS

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

Following are the redeemable unit transactions during the year:

December 31, 2020

	2020
Units outstanding,	
Beginning of year	14,413,488
Redeemable units issued for cash	1,986,434
Redeemable units redeemed	(9,900)
Units issued on	
reinvestment of distributions	-
Units outstanding, end of year	16,390,022

December 31, 2019

	2019
Units outstanding,	
Beginning of year	12,563,499
Redeemable units issued for cash	1,851,489
Redeemable units redeemed	(1,500)
Units issued on	
reinvestment of distributions	-
Units outstanding, end of year	14,413,488

6. RELATED PARTY TRANSACTIONS

The Fund's investment activities are managed by Ridgewood.

Management fees

Under the terms of the management agreement dated November 27, 2009 as amended and restated on December 17, 2009, 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 year ended December 31, 2020 amounted to \$1,289,841 (December 31, 2019 - \$1,096,423).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2020 was \$19,511 (December 31, 2019 - \$19,850).

7. MANAGEMENT FEES AND EXPENSES

Ridgewood is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, and may delegate certain of its powers to third parties.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2020 and 2019

The Fund also pays for all expenses incurred in connection with its operations and administration, 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, prime broker 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; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; fees payable to the 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 also is responsible for any taxes payable by the Fund or to which the Fund may be subject, interest expenses on borrowing, its costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.

8. BROKERAGE COMMISSIONS

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

9. DISTRIBUTIONS

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

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

10. LOAN PAYABLE INTEREST AND BANK FEES

The Fund has a margin account held at Scotiabank which requires collateral against loans (see Schedule of Investments). The Fund can borrow an amount up to 35% of the total assets of the Fund.

Loan Payable

As at December 31, 2020, the balance of the account was \$107,575,122 (December 31, 2019 - \$109,541,475). During the year, the maximum amount borrowed was \$152,547,788 (December 31, 2019 - \$131,052,369) and the minimum amount borrowed was \$95,457,665 (December 31, 2019- \$73,655,517).

Interest and Bank Fees

Total interest and bank fees on the account were \$1,347,231 for the year (December 31, 2019 - \$2,391,728). The account is charged interest based on Bloomberg Ticker Reference plus 70bps on debit spread or minus 25 bps on credit spread. If interest rates had increased/decreased by 100 basis points, interest expense would have changed by approximately \$1,180,787 (December 31, 2019 - \$1,017,757).

11. 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 of 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, 2020 taxation year-end, the Fund had no capital losses and no non-capital losses available for carryforward (2019 – \$Nil).

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's financial instruments consist of bonds, asset-backed securities, liabilities for securities redeemed, cash and loan 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 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.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2020 and 2019

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

As at December 31, 2020:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	\$	\$	\$
Interest Rate Exposure	-	107,575,122	-

	Less than 1 year	1-3 years	3-5 years	More than 5 years
Investments	\$	\$	\$	\$
Interest Rate Exposure	3,105,108	29,669,308	35,968,546	302,937,355

	Non Interest bearing	Total
	\$	\$
Interest Rate Exposure	-	371,680,317

As at December 31, 2019:

	Less than 1 month	1-3 months	3 months -1 year
Loan payable	\$	\$	\$
Interest Rate Exposure	-	109,541,475	-

	Less than 1 year	1-3 years	3-5 years	More than 5 years
Investments	\$	\$	\$	\$
Interest Rate Exposure	-	19,540,673	38,944,139	267,167,969

	Non Interest bearing	Total
	\$	\$
Interest Rate Exposure	-	325,652,781

At December 31, 2020, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the year would amount to approximately \$16.1 million (December 31, 2019 - \$16.1 million), arising from the increase in market values of debt securities. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets would amount to approximately \$16.1 million (December 31, 2019 - \$16.1 million).

Credit Risk

Financial instruments that potentially subject the Fund to a concentration of a credit risk consist primarily of cash and investments. The Fund limits its exposure to credit loss by placing its cash 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 also measures credit risk and lifetime ECL related to the accrued interest receivables using historical analysis and forward looking information.

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

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

Portfolio by rating category December 31, 2020	
Rating	As a % of Net Assets
AAA/Aaa	1.63%
AA/Aa	1.19%
A/A	16.59%
BBB/Baa	97.69%
Below BBB	21.64%
Unrated	1.25%
Total	139.99%

Portfolio by rating category December 31, 2019	
Rating	As a % of Net Assets
AAA/Aaa	-
AA/Aa	1.43%
A/A	16.91%
BBB/Baa	118.28%
Below BBB	4.79%
Unrated	8.48%
Total	149.89%

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.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2020 and 2019

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 holds securities that are denominated in currencies other than the Canadian dollar. It is therefore exposed to currency risk.

As at December 31, 2020, the Fund held Nil (December 31, 2019 - Nil) of its assets in foreign securities. As a result, the Fund does not have significant currency risk. In practice, actual results may differ from this sensitivity analysis and the difference may be material.

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. The tables below analyze the Fund's financial liabilities as at December 31, 2020 and December 31, 2019.

As at December 31, 2020:

	1-3 months	> 3 months	Total
	\$	\$	\$
Accrued expenses	227,977	-	227,977
Distribution payable	868,671	-	868,671
Loan payable	107,575,122	-	107,575,122
Total liabilities	108,671,770	-	108,671,770

As at December 31, 2019:

	1-3 months	> 3 months	Total
	\$	\$	\$
Accrued expenses	391,392	-	391,392
Distribution payable	763,915	-	763,915
Loan payable	109,541,475	-	109,541,475
Total liabilities	110,696,782	-	110,696,782

Concentration risk

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

Market segments	December 31, 2020
Canadian Corporate Bonds	86.63%
Mortgage-Backed Securities	44.39%
Foreign Corporate Bonds	7.34%
Government of Canada	1.63%
Total	139.99%

Market segments	December 31, 2019
Canadian Corporate Bonds	103.09%
Mortgage-Backed Securities	46.80%
Total	149.89%

13. 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 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, 2020 and December 31, 2019.

Financial Assets and Liabilities at fair value as of December 31, 2020				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	253,812,679	-	253,812,679
Mortgage-backed securities	-	117,867,638	-	117,867,638
Cash	6,431	-	-	6,431
Loan payable	-	107,575,122	-	107,575,122
Total	6,431	479,255,439	-	479,261,870

Financial Assets and Liabilities at fair value as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds	-	223,966,160	-	223,966,160
Mortgage-backed securities	-	101,686,621	-	101,686,621
Cash	4,200	-	-	4,200
Loan payable	-	109,541,475	-	109,541,475
Total	4,200	435,194,256	-	435,198,456

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, 2020 and 2019.

Ridgewood Canadian Investment Grade Bond Fund

Notes to the Financial Statements

December 31, 2020 and 2019

In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2020 and 2019.

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian Bond Fund

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Visit our website at www.ridgewoodcapital.ca for additional information on Ridgewood Funds.