



Ridgewood Tactical Yield Fund

Interim Financial Report (Unaudited)
For the six months ended June 30, 2015

Ridgewood Tactical Yield Fund
Interim Financial Report (Unaudited)

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Message to Unitholders

The first half of 2015 was positive for bond investors as returns outpaced both U.S. and Canadian equities. An environment of declining inflation and modest growth has been an attractive backdrop for fixed income investors as money flowed into investment grade and high yield asset classes. Corporate bonds are performing well in this environment as the additional yield over Government bonds makes them more attractive. Refinancing of existing and maturing debt has been slightly above average which is positive for liquidity. The supply will likely moderate in the second half which will push bond prices higher as demand continues to be robust.

Mid-term corporate bonds performed the best on both a relative and absolute basis. Short term government bonds were one of the worst performers in this period. The yield curve continues to steepen which will eventually push investors further out of the maturity spectrum. This will likely result in mid and long term bonds out performing on a relative basis.

The Bank of Canada has cut rates 25 basis points in the first half of 2015 and they continue to be accommodative. Although the U.S. economy continues to grow steadily, small cracks are appearing globally, not only in Europe but China as well. The Greek situation continues to unfold and we have not seen the final resolution. Central banks globally continue to be on deflation watch for the most part, although the risk of that in North America is quite low.

The global growth backdrop is softening and although the U.S. central bank is expected to hike rates by the end of 2015, all other central banks are either on hold or reducing overnight rates, Canada included. We have extended the term to maturity in our portfolio to take advantage of the attractive yield pickup and demand for long duration assets. Corporate bonds are our preferred asset class within fixed income and we remain comfortable being fully invested at this time.

June 30, 2015

Ridgewood Tactical Yield Fund

Interim Financial Report 2015 (Unaudited)

UNAUDITED INTERIM REPORT STATEMENT

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

Ridgewood Tactical Yield Fund

Management's Responsibility for Financial Reporting

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

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



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



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

Ridgewood Tactical Yield Fund
STATEMENTS OF FINANCIAL POSITION

As at June 30, 2015 (Unaudited) and December 31, 2014

| | 30-Jun-15 | 31-Dec-14 |
|---------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Financial assets at fair value through profit or loss (Cost: 30-Jun-15 - \$64,860,608; 31-Dec-14 - \$59,786,661) | 66,890,135 | 61,267,322 |
| Short-term investments at fair value (Cost: 30-Jun-15 - \$882,726; 31-Dec-14 - \$560,105) | 882,726 | 560,105 |
| Cash | 24,671 | 131,106 |
| Accrued interest receivable | 512,920 | 457,932 |
| Dividends receivable | 64,281 | 50,728 |
| Prepaid fees | 5,573 | 4,632 |
| Subscriptions receivable | 147,550 | 121,000 |
| Total Assets | 68,527,856 | 62,592,825 |
| Liabilities | | |
| Current liabilities | | |
| Accrued expenses | 124,045 | 144,196 |
| Distributions Payable | 219,047 | - |
| Redemptions payable | 201,175 | 144,770 |
| Total Liabilities (excluding net assets attributable to holders of redeemable units) | 544,267 | 288,966 |
| Net Assets attributable to holders of redeemable units | 67,983,589 | 62,303,859 |
| Number of Units Outstanding (Note 5) | 7,301,564 | 6,798,795 |
| Net assets attributable to holders of redeemable units per unit | 9.3108 | 9.1640 |

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



Director

John H. Simpson, CFA



Director

Paul W. Meyer, CFA

STATEMENTS OF COMPREHENSIVE INCOME

For the six months period ended June 30, 2015 and 2014 (Unaudited)

| | 30-Jun-15 | 30-Jun-14 |
|-------------------------------------------------------------------------------------------------------------|------------------|------------------|
| | \$ | \$ |
| Income | | |
| Interest income for distribution purposes | 1,389,057 | 1,411,296 |
| Dividend income | 380,776 | 270,667 |
| Foreign exchange (loss) on cash | (38,923) | (33) |
| Other changes in fair value on financial assets and liabilities at fair value through profit or loss | | |
| Net realized gain on sale of investments | 352,932 | 431,025 |
| Net change in unrealized appreciation of investments | 548,867 | 2,066,078 |
| Total income | 2,632,709 | 4,179,033 |
| Expenses | | |
| Management fees (Note 7) | 296,211 | 223,401 |
| Administrative and other expenses | 72,713 | 67,902 |
| Custodian fees | 30,079 | 32,204 |
| HST expense | 48,111 | 42,532 |
| Independent Review Committee fees | 3,333 | 9,890 |
| Audit fees | 9,920 | 13,910 |
| Legal fees | 3,006 | 16,923 |
| Withholding Taxes | 2,915 | - |
| Transaction Costs | 9,518 | 5,089 |
| Total operating expenses | 475,806 | 411,851 |
| Operating profit | 2,156,903 | 3,767,182 |
| Increase in net assets attributable to holders of redeemable units | 2,156,903 | 3,767,182 |
| Daily average number of units | 7,046,521 | 6,259,633 |
| Increase in net assets attributable to holders of redeemable units per unit | 0.3060 | 0.6020 |

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

Ridgewood Tactical Yield Fund

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

For the six months period ended June 30, 2015 and 2014 (Unaudited)

| | 30-Jun-15 \$ | 30-Jun-14 \$ |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| Net Assets Attributable to Holders of Redeemable units at beginning of period | 62,303,859 | 52,639,323 |
| Distributions to redeemable unitholders | | |
| From net investment income | (1,270,577) | (1,380,652) |
| Redeemable Unit Transactions (Note 5) | | |
| Proceeds from units issued | 8,120,270 | 8,985,351 |
| Amount paid for units redeemed | (4,315,300) | (2,841,712) |
| Reinvestment of distributions | 988,434 | 1,098,782 |
| | 4,793,404 | 7,242,421 |
| Increase in net assets attributable to holders of redeemable units | 2,156,903 | 3,767,182 |
| Net Assets Attributable to Holders of Redeemable units at end of period | 67,983,589 | 62,268,274 |

STATEMENTS OF CASH FLOWS

For the six months period ended June 30, 2015 and 2014 (Unaudited)

| | 30-Jun-15 \$ | 30-Jun-14 \$ |
|------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash provided by (used in) operating activities | | |
| Net increase (decrease) in net assets attributable to holders of redeemable units | 2,156,903 | 3,767,182 |
| Adjustments for | | |
| Interest income on short-term notes | (2,807) | (12,167) |
| Foreign exchange gain (loss) on cash | 38,923 | 33 |
| Net realized (losses) on investments excluding foreign currency | (352,932) | (431,025) |
| Net change in unrealized appreciation (depreciation) on investments | (548,867) | (2,066,078) |
| Purchase of investments | (72,978,254) | (69,007,293) |
| Proceeds from sale of investments | 67,927,908 | 60,385,775 |
| Transaction costs | 9,518 | 5,089 |
| Increase (Decrease) in accrued interest and dividends receivable | (68,541) | 137,579 |
| (Decrease) in investment sold receivable | - | (443,861) |
| (Decrease) in other receivable | - | (1,456) |
| (Decrease) in prepaid fees | (941) | - |
| Increase (Decrease) in accrued expenses | (20,151) | 33,147 |
| Increase in investment purchases payable | - | 1,563,221 |
| Net cash provided by (used in) in operating activities | (3,839,241) | (6,069,854) |
| Cash provided by (used in) financing activities | | |
| Subscriptions received in advance | (26,550) | 53,000 |
| Redemptions payable in advance | 56,405 | (47,829) |
| Distributions paid to holders of redeemable units, net of reinvested distributions | (63,096) | (78,190) |
| Proceeds from units issued | 8,120,270 | 8,985,351 |
| Payment for redemption of units | (4,315,300) | (2,841,712) |
| Net cash provided by financing activities | 3,771,729 | 6,070,620 |
| Increase (decrease) in cash | (67,512) | 766 |
| Foreign exchange (loss) on cash | (38,923) | (33) |
| Cash, beginning of period | 131,106 | 34,062 |
| Cash, end of period | 24,671 | 34,795 |
| Interest received | 1,334,069 | 1,559,214 |
| Dividends received, net of withholding taxes | 367,223 | 260,328 |

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

Ridgewood Tactical Yield Fund
Schedule of investments

As at June 30, 2015

| Par Value | Average Cost | Fair Value | % of Portfolio |
|----------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| | \$ | \$ | |
| Short-term Investments | | | |
| Treasury Bills | | | |
| 885000 Canadian Treasury Bill, 0.631%, November 19, 2015 | 882,726 | 882,726 | 1.30% |
| Investments | | | |
| Corporate Bonds | | | |
| 1000000 407 International Inc., 3.300%, March 27, 2045 | 998,300 | 903,080 | |
| 1500000 Bank of America Corp., 5.200%, December 31, 2049 | 1,491,502 | 1,793,094 | |
| 500000 Bank of America Corp., 6.250%, December 31, 2049 | 544,750 | 622,280 | |
| 1000000 Brookfield Asset Management Inc., 5.950%, June 14, 2035 | 1,101,500 | 1,100,582 | |
| 1000000 Brookfield Infrastructure Finance ULC, 3.452%, March 11, 2022 | 1,000,000 | 999,969 | |
| 1000000 Brookfield Residential Properties Inc., 6.125%, May 15, 2023 | 1,000,000 | 1,003,833 | |
| 1000000 Citigroup Inc., 4.090%, June 09, 2025 | 999,670 | 996,829 | |
| 2000000 Citigroup Inc., 5.160%, May 24, 2027 | 2,008,000 | 2,149,614 | |
| 1000000 Corus Entertainment Inc., 4.250%, February 11, 2020 | 992,500 | 985,292 | |
| 1000000 DHX Media Ltd., 5.875%, December 02, 2021 | 1,000,000 | 998,333 | |
| 1000000 Fairfax Financial Holdings Ltd., 4.950%, March 03, 2025 | 991,140 | 1,032,102 | |
| 2000000 Federated Co-Operatives Ltd., 3.917%, June 17, 2025 | 2,000,000 | 2,042,648 | |
| 3000000 First National Financial Corp., 4.010%, April 09, 2020 | 3,002,500 | 3,035,502 | |
| 1500000 Gateway Casinos & Entertainment Ltd., 8.500%, November 26, 2020 | 1,500,000 | 1,503,750 | |
| 700000 Gaz Metro Inc., 3.300%, March 31, 2045 | 699,335 | 639,251 | |
| 500000 GFL Environmental Corp., 7.500%, June 18, 2018 | 516,250 | 505,938 | |
| 500000 GFL Environmental Inc., 7.875%, April 01, 2020 | 623,840 | 642,954 | |
| 1000000 Golf Town Canada Inc / Golfsmith International Holdings Inc., 10.500%, July 24, 2018 | 1,008,438 | 792,498 | |
| 850000 Great Canadian Gaming Corp., 6.625%, July 25, 2022 | 866,625 | 890,552 | |
| 1500000 Iron Mountain Canada Operations ULC., 6.125%, August 15, 2021 | 1,520,625 | 1,558,125 | |
| 2000000 Mattamy Group Corp., 6.500%, November 15, 2020 | 2,402,164 | 2,422,003 | |
| 1000000 Mattamy Group Corp., 6.875%, November 15, 2020 | 999,519 | 998,750 | |
| 1000000 Medavie Inc., 6.000%, May 21, 2024 | 1,000,000 | 1,040,000 | |
| 1000000 Newalta Corp., 5.875%, April 01, 2021 | 1,000,000 | 1,003,958 | |
| 1498476 Northland Power Solar Finance One LP, 4.397%, June 30, 2032 | 1,498,685 | 1,565,057 | |
| 1000000 Nova Scotia Power Inc., 3.612%, May 01, 2045 | 1,000,000 | 932,694 | |
| 1000000 Parkland Fuel Corp., 5.500%, May 28, 2021 | 1,000,000 | 1,023,750 | |
| 500000 Parkland Fuel Corp., 6.000%, November 21, 2022 | 500,000 | 514,479 | |
| 1000000 Pembina Pipeline Corp., 4.810%, March 25, 2044 | 1,039,290 | 990,252 | |
| 2000000 Pershing Square Holdings Ltd., 5.500%, July 15, 2022 | 2,488,115 | 2,501,405 | |
| 1000000 Reliance LP, 4.075%, August 02, 2021 | 1,000,000 | 996,729 | |
| 1000000 River Cree Enterprises LP, 11.000%, January 20, 2021 | 1,037,500 | 1,044,375 | |
| 1000000 Royal Bank of Scotland Group PLC, 5.125%, May 28, 2024 | 1,077,751 | 1,249,142 | |
| 1300000 Russel Metals Inc., 6.000%, April 19, 2022 | 1,300,750 | 1,325,133 | |
| 2000000 Shaw Communications Inc., 6.750%, November 09, 2039 | 2,445,840 | 2,432,280 | |
| 341102 Sherritt International Corp., 7.500%, September 24, 2020 | 341,102 | 323,905 | |
| 1000000 Sherritt International Corp., 7.875%, October 11, 2022 | 980,000 | 925,833 | |
| 1000000 Sobeys Inc., 6.640%, June 07, 2040 | 1,200,700 | 1,228,737 | |
| 2000000 Superior Plus LP, 6.500%, December 09, 2021 | 2,000,000 | 2,083,333 | |
| 1000000 TransAlta Corp., 5.000%, November 25, 2020 | 1,045,850 | 1,045,584 | |
| Total Corporate Bonds | 49,222,241 | 49,843,625 | 73.31% |
| Equities | | | |
| 195800 Chartwell Retirement Residences | 2,074,262 | 2,247,784 | |
| 210000 Dream Global Real Estate Investment Trust | 2,036,229 | 2,085,300 | |
| 226400 Dream Industrial Real Estate Investment Trust | 2,097,962 | 1,851,952 | |
| 220469 Sienna Senior Living Inc. | 2,790,244 | 3,406,246 | |
| 146885 Slate Retail REIT | 1,818,159 | 1,915,380 | |
| Total Equities | 10,816,856 | 11,506,662 | 16.93% |
| Mortgage Backed Securities | | | |
| 1000000 Institutional Mortgage Securities Canada Inc., 4.652%, July 12, 2045 | 897,500 | 1,050,348 | |
| 1000000 Merrill Lynch Financial Assets Inc., 5.192%, January 12, 2040 | 929,550 | 1,007,000 | |
| 1000000 Merrill Lynch Financial Assets Inc., 5.727%, May 12, 2044 | 946,300 | 1,039,000 | |
| 1400000 Merrill Lynch Financial Assets Inc., 5.219%, March 12, 2049 | 1,101,600 | 1,428,000 | |
| 1000000 Schooner Trust, 5.239%, June 12, 2022 | 966,770 | 1,015,500 | |
| Total Mortgage Backed Securities | 4,841,720 | 5,539,848 | 8.15% |
| Investments | 64,880,817 | 66,890,135 | 98.39% |
| Transaction costs | (20,209) | | |
| | 64,860,608 | 66,890,135 | 98.39% |
| Total Investments and short-term investments | 65,743,334 | 67,772,861 | 99.69% |
| Cash and other assets, net of liabilities | | 210,729 | 0.31% |
| Net Assets | | 67,983,590 | 100.00% |

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

1. Establishment of the Fund

Ridgewood Tactical Yield Fund (the “Fund”) is an open-end mutual fund trust existing under the laws of Ontario pursuant to an amended and restated Master Declaration of Trust dated September 1, 2008, executed by Ridgewood Capital Asset Management Inc. (“Ridgewood” or the “Manager”) in its separate capacities as manager and trustee of the Fund, and a Fund Declaration dated March 31, 2011. The Fund began operations on March 31, 2011. The Fund’s principal office is 55 University Avenue, Suite 1020, Toronto, Ontario M5J 2H7. The fiscal year end of the Fund is December 31.

Ridgewood is also the investment manager and distributor of units of the Fund. RBC Investor & Treasury Services is the custodian, transfer agent and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund. The financial statements are authorized for issuance by Ridgewood Capital Asset Management Inc. on August 21, 2015.

2. Investment objective of the Fund

The investment objective of the Fund is to achieve a high level of income and capital gains from an actively managed portfolio. The Fund is invested primarily in securities of Canadian issuers, including preferred shares, investment grade bonds, convertible bonds, real estate investment trusts (“REITs”) and high yield bonds. The Fund may also invest in comparable securities of foreign issuers. Assets of the Fund may also be held in interest-bearing accounts at a bank or trust company, including the custodian, invested in guaranteed investment certificates or invested in Canadian short-term debt obligations.

3. Basis of presentation

These interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) International Accounting Standard (“IAS”) 34, Interim Financial Reporting as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

4. Summary of significant accounting policies

Financial instruments

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

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.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

4. Summary of significant accounting policies (continued)

Recognition, Initial Measurement and Classification

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

Capital Disclosures

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

Valuation of Investments

The Fund's financial instruments may include short-term investments and bonds (collectively referred to as investments), cash, subscriptions receivable, due from broker, due to broker, redemptions payable, distributions payable and accrued expenses. Investments are valued at fair value using the policies described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3.

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

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

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

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

Cash is comprised of cash on deposit.

Investment Transactions and Income Recognition

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

4. Summary of significant accounting policies (continued)

Income Recognition

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

Financial Instruments – Disclosures

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

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

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

Level 3 Inputs that are unobservable. 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) Common stock

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

b) Bonds and short-term investments

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

Please see Note 11 for these disclosures.

Foreign currency

a) Functional and presentation currency

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

4. Summary of significant accounting policies (continued)

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 securities not quoted in an active market

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

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

b) Classification and measurement of investments designated as FVTPL.

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

5. Redeemable Units

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

Following are the unit transactions during the period from January 1 to June 30, 2015 and the year from January 1 to December 31, 2014:

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

5. Redeemable Units (continued)

| | 2015 | 2014 |
|-----------------------------------------------|-----------|-----------|
| Units outstanding, beginning of period/year | 6,798,795 | 5,992,362 |
| Units issued for cash | 859,000 | 1,541,347 |
| Units redeemed | (460,645) | (981,340) |
| Units issued on reinvestment of distributions | 104,414 | 246,426 |
| Units outstanding, end of period/year | 7,301,564 | 6,798,795 |

6. Related party transactions

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

Management fees

Under the terms of the Master Investment Agreement dated March 31, 2011, 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 1.25% (excluding HST) of the net asset value of the Fund. Services received under the Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund. Total Management fees for the period ended June 30, 2015 amounted to \$296,211 (June 30, 2014 - \$223,401).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2015 was \$3,333 (June 30, 2014 - \$9,890).

7. Management fees and expenses

Ridgewood is entitled to an annual management fee payable out of the assets of the Fund. The maximum management fee is equal to 1.25% (excluding HST) of the weighted average net asset value of the Fund less ordinary expenses of the Fund (the "Maximum Ordinary Expenses"). The Maximum Ordinary Expenses acts as a cap on the management fee and ordinary expenses of the Fund.

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

8. Distributions

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

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

9. Income taxes

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

As at December 31, 2014, capital losses of \$1,516,741 (2013 - \$1,878,815) are available for utilization against realized gains on sales of investments in future years. The capital losses can be carried forward indefinitely. The Fund has no non-capital losses.

10. Financial instruments and risk management

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

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

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

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

| As at June 30, 2015 | | | | | | | | |
|-------------------------------|-------------------|--------------|-------------------|----------------|------------------|-------------------|----------------------|-------------------|
| | Less than 1 month | 1 - 3 months | 3 months - 1 year | 1 - 3 years | 3-5 years | More than 5 years | Non interest bearing | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Interest Rate Exposure | 24,671 | - | 882,726 | 505,938 | 5,456,246 | 49,421,289 | 11,506,662 | 67,797,532 |
| As at December 31, 2014 | | | | | | | | |
| | Less than 1 month | 1 - 3 months | 3 months - 1 year | 1 - 3 years | 3-5 years | More than 5 years | Non interest bearing | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Interest Rate Exposure | 131,106 | - | 560,105 | - | 3,987,708 | 47,216,311 | 10,063,303 | 61,958,533 |

At June 30, 2015, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets attributable to holders of redeemable units for the period would amount to approximately \$4.5 million (December 31, 2014 - \$3.7 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 attributable to holders of redeemable units would amount to approximately \$4.5 million (December 31, 2014 - \$3.7 million).

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

10. Financial instruments and risk management (continued)

Credit Risk

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

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

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

Portfolio by rating category

| Rating | June 30, 2015 As a % of Net Assets |
|----------------|-----------------------------------------------|
| AAA/Aaa | 1.30% |
| AA/Aa | 0.00% |
| A/A | 3.89% |
| BBB/Baa | 40.44% |
| BB/Ba | 25.24% |
| B/B | 9.21% |
| CCC/Caa | 1.17% |
| Unrated | 1.53% |
| Total | 82.78% |

Portfolio by rating category

| Rating | December 31, 2014 As a % of Net Assets |
|---------------|---------------------------------------------------|
| AAA/Aaa | 3.92% |
| AA/Aa | 2.49% |
| A/A | 4.18% |
| BBB/Baa | 36.38% |
| BB/Ba | 20.92% |
| B/B | 12.12% |
| CCC/Caa | 1.46% |
| Unrated | 1.61% |
| Total | 83.08% |

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 Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

10. Financial instruments and risk management (continued)

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. As at June 30, 2015, the Fund held \$6,786,184 (December 31, 2014 - \$3,370,208) in assets and liabilities denominated in currencies other than the Canadian dollar. As at June 30, 2015, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies represented in the portfolio, with all other variables remaining constant, net assets would have increased or decreased by approximately \$339,309 (December 31, 2014 - \$168,510).

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.

The Fund's short-term investments of approximately \$0.8 million (December 2014, \$0.6 million) are invested in Canadian Government treasury bills with less than 120 days to maturity. The Fund's accrued liabilities are generally due and paid within three months.

| June 30, 2015 | | | | |
|--------------------------|----------------------|-------------------|-------------------|----------------------|
| Financial Liabilities | On Demand | | < 3 Months | Total |
| Redemptions payable | \$ - | \$ 201,175 | \$ 201,175 | \$ 201,175 |
| Distribution payable | - | 219,047 | 219,047 | 219,047 |
| Accrued expenses | - | 124,045 | 124,045 | 124,045 |
| Redeemable units | 67,983,589 | - | - | 67,983,589 |
| Total liabilities | \$ 67,983,589 | \$ 544,267 | \$ 544,267 | \$ 68,527,856 |

| December 31, 2014 | | | | |
|--------------------------|---------------------|-------------------|-------------------|---------------------|
| Financial Liabilities | On Demand | | < 3 Months | Total |
| Redemptions payable | \$ - | \$ 144,770 | \$ 144,770 | \$ 144,770 |
| Accrued expenses | - | 144,196 | 144,196 | 144,196 |
| Redeemable units | 6,798,795 | - | - | 6,798,795 |
| Total liabilities | \$ 6,798,795 | \$ 288,966 | \$ 288,966 | \$ 7,087,761 |

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

10. Financial instruments and risk management (continued)

Concentration risk

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

| Market segments | June 30, 2015 | December 31, 2014 |
|---------------------------------|------------------|----------------------|
| Canadian Short Term Investments | 1.30% | 0.90% |
| Federal Bonds | 0.00% | 3.02% |
| Provincial Bonds | 0.00% | 2.49% |
| Corporate Bonds | 73.31% | 66.24% |
| Mortgage Backed Securities | 8.15% | 10.43% |
| Equities | 16.93% | 16.16% |
| Total | 99.69% | 99.24% |

11. Financial instruments - Disclosures

Fair Value Disclosure

The Fund's financial assets 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 June 30, 2015 and December 31, 2014.

| | Financial assets at fair value as of June 30, 2015 | | | |
|----------------------------------|-------------------------------------------------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Cash | 24,671 | - | - | 24,671 |
| Short Term Investments | - | 882,726 | - | 882,726 |
| Bonds | - | 49,843,625 | - | 49,843,625 |
| Mortgage Backed Securities (MBS) | - | 5,539,848 | - | 5,539,848 |
| Equities | 11,506,662 | - | - | 11,506,662 |
| | 11,531,333 | 56,266,199 | - | 67,797,532 |

| | Financial assets at fair value as of December 31, 2014 | | | |
|----------------------------------|-----------------------------------------------------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Cash | 131,106 | - | - | 131,106 |
| Short Term Investments | - | 560,105 | - | 560,105 |
| Bonds | - | 44,706,618 | - | 44,706,618 |
| Mortgage Backed Securities (MBS) | - | 6,497,401 | - | 6,497,401 |
| Equities | 10,063,303 | - | - | 10,063,303 |
| | 10,194,409 | 51,764,124 | - | 61,958,533 |

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2015 (Unaudited)

11. Financial instruments – Disclosures (continued)

Fair Value Disclosure (continued)

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period ended June 30, 2015 and year ended December 31, 2014.

In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2015 and year ended December 31, 2014.

12. Financial instruments by category

The Funds financial instruments as at June 30, 2015 and December 31, 2014 are designated as FVTPL. .

The Fund's net gains (losses) on financial instruments for the period ended June 30, 2015 and year ended December 31, 2014 were all from financial instruments designated as FVTPL.

| Financial assets at fair value through profit or loss | June 30, 2015 | December 31, 2014 |
|---------------------------------------------------------------------------------------------------------|---------------------------------------|-----------------------------------------|
| Designated as at fair value through profit or loss | 67,772,861 | 61,267,322 |
| Held for trading | - | - |
| Net realized gains/(losses) on financial assets at fair value through profit or loss | Period ended June 30, 2015 | Year ended December 31, 2014 |
| Designated as at fair value through profit or loss | 352,932 | 729,833 |
| Held for trading | - | - |
| Net change in unrealized gains/(losses) on financial assets at fair value through profit or loss | Period ended June 30, 2015 | Year ended December 31, 2014 |
| Designated as at fair value through profit or loss | 548,687 | 1,649,616 |
| Held for trading | - | - |

13. Future accounting policies

Accounting standards issued but not yet adopted

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

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

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