



Ridgewood Tactical Yield Fund

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

Ridgewood Tactical Yield Fund
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Message to Unitholders

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

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

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

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

June 30, 2012

Ridgewood Tactical Yield Fund

Interim Financial Report 2012 (Unaudited)

UNAUDITED SEMI-ANNUAL REPORT STATEMENT

The accompanying financial statements have not been reviewed by the external auditors of the Fund. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

Ridgewood Tactical Yield Fund

Management's Responsibility for Financial Reporting

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

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



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



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

Ridgewood Tactical Yield Fund

Statement of Net Assets

As at June 30, 2012 (Unaudited) and December 31, 2011 (Audited)

	2012	2011
	\$	\$
ASSETS		
Investments at fair value (cost 2012 - 26,384,076; 2011 - \$14,065,698)	\$ 25,850,793	13,401,593
Short-term investments at fair value (cost 2012 - \$363,456)	363,651	-
Cash	16,547	393,593
Accrued interest and dividend receivable	368,909	226,708
	26,599,900	14,021,894
LIABILITIES		
Accrued liabilities	25,357	22,503
Distribution Payable	155,851	-
Redemptions payable	200	6,000
	181,408	28,503
Net assets, represented by unitholders' equity	26,418,492	13,993,391
Number of units outstanding (Note 4)	2,997,135	1,590,198
Net assets per unit	8.8146	8.7998

ON BEHALF OF THE MANAGER,
Ridgewood Capital Asset Management Inc.

Director:



Director:



Statement of Financial Operations

For the six months ended June 30, 2012 and the period from March 31, 2011 to June 30, 2011 (Unaudited)

	2012	2011
		\$
Revenue		
Interest	737,258	185,618
Dividend	22,678	29,042
	759,936	214,660
Expenses (Note 5)		
Management fees	68,346	14,292
HST/GST expense	16,165	4,922
Administrative and other expenses	25,227	17,903
Audit fees	7,273	-
Custodian fees	22,124	3,437
Legal fees	13,192	-
Independent review committee fees	11,469	2,225
	163,796	42,779
Net Investment Income	596,140	171,881
Loss on sale of investments	(27,012)	(108,733)
Transaction Cost	(7,261)	-
Change in unrealized (appreciation) depreciation of investments	131,018	(330,578)
Net loss on investments	96,745	(439,311)
Increase (decrease) in net assets from operations	692,885	(267,430)
Increase (decrease) in net assets from operations per unit (based on weighted average number of units outstanding during the period - 2012 - 2,426,863; 2011 - 1,092,200)	0.2855	(0.2449)

Ridgewood Tactical Yield Fund

Statement of Changes in Net Assets

For the six months ended June 30, 2012 and the period from March 31, 2011 to June 30, 2011 (Unaudited)

	2012	2011
Net assets, beginning of period	\$ 13,993,391	\$ -
Unit transactions (Note 4)		
Proceeds from units issued	14,599,673	16,483,391
Amount paid for units redeemed	(2,711,606)	(156,734)
Reinvestment of distributions	710,032	-
	12,598,099	16,326,657
Decrease in net assets from operations	692,885	(267,430)
Distributions to unitholders (note 6)		
From net investment income	(865,883)	-
	(865,883)	-
Changes in net assets during the period	12,425,101	16,059,227
Net assets, end of period	\$ 26,418,492	\$ 16,059,227

Statement of Gain (Loss) on Sale of Investments

For the six months ended June 30, 2012 and the period from March 31, 2011 to June 30, 2011 (Unaudited)

	2012	2011
Proceeds from sale of investments	\$ 7,803,917	\$ 1,667,354
Cost of investments sold		
Cost of investments, beginning of period	14,065,698	-
Cost of investments purchased	20,149,307	17,694,086
	34,215,005	17,694,086
Cost of investments, end of period	(26,384,076)	(15,917,999)
	7,830,929	1,776,087
Loss on sale of investments	\$ (27,012)	\$ (108,733)

(See accompanying notes to financial statements)

Ridgewood Tactical Yield Fund

Statement of Investments

As at June 30, 2012 (Unaudited)

Par Value	Average Cost	Fair Value	% of Portfolio
	\$	\$	
Short-term Investments			
Treasury Bills			
365,000 Canada Treasury Bill, 1.102%, November 22, 2012	363,456	363,651	1.41%
Investments			
Corporate Bonds			
500,000 Allied Nevada Gold Corp., 8.750%, June 01, 2019	493,580	493,580	
1,176,000 Cara Operations Ltd., 9.125%, December 1, 2015	1,221,016	1,207,360	
1,600,000 Citigroup Inc., 5.365%, March 6, 2036	1,297,720	1,300,979	
1,100,000 Citigroup Inc., FRN, 5.160%, May 24, 2027	908,066	975,168	
700,000 Garda World Security Corp., 9.750%, March 15, 2017	718,000	734,344	
500,000 JPMorgan Chase & Co., FRN, 5.058%, February 22, 2021	492,500	499,280	
500,000 Kruger Products LP, 8.000%, August 9, 2018	500,000	507,500	
1,000,000 Livingston International Inc., 10.125%, November 09, 2015	1,068,664	1,040,000	
500,000 Lloyds TSB Bank PLC, 5.280%, April 19, 2016	501,800	515,135	
1,300,000 Lloyds TSB Bank PLC, 10.125%, December 16, 2021	1,284,499	1,381,222	
1,400,000 Merrill Lynch & Co., Inc., FRN, 5.290%, May 30, 2022	1,252,610	1,299,941	
500,000 Morgan Stanley, 4.900%, February 23, 2017	485,234	488,132	
500,000 MPL 2 Acquisition Canco Inc., 9.875%, August 15, 2018	438,126	424,347	
500,000 Newalta Corp., 7.750%, November 14, 2019	500,625	531,250	
500,000 North American Energy Partners Inc., 9.125%, April 07, 2017	504,063	430,000	
300,000 Perpetual Energy Inc., 8.750%, March 15, 2018	305,036	255,000	
1,400,000 Royal Bank of Scotland PLC, FRN, 10.500%, March 16, 2022	1,465,333	1,484,000	
1,300,000 RTL-Westcan LP, 9.500%, April 07, 2017	1,353,913	1,339,813	
1,300,000 Russel Metals Inc., 6.000%, April 19, 2022	1,300,750	1,294,312	
2,000,000 Skylink Aviation Inc., 12.250%, March 15, 2016	2,010,926	930,000	
1,500,000 The Goldman Sachs Group Inc., FRN, 5.200%, April 19, 2022	1,350,330	1,391,447	
Total Corporate Bonds	18,959,211	18,029,230	70.10%
Equities			
30,000 Allied Properties Real Estate Investment Trust	782,520	869,700	
174,337 C2C Industrial Properties Inc., Private Placement	740,932	913,526	
21,284 Dundee Real Estate Investment Trust	749,025	811,984	
30,000 Granite Real Estate Inc.	1,028,768	1,035,600	
54,222 Leisureworld Senior Care Corp.	653,375	632,771	
Total Equities	3,954,620	4,263,581	16.58%
Mortgage Backed Securities			
1,000,000 Merrill Lynch Financial Assets Inc., 5.219%, January 12, 2040	929,550	945,100	
1,400,000 Merrill Lynch Financial, 5.143%, March 12, 2049	1,101,600	1,146,180	
1,000,000 Real Estate Asset Liquidity Trust, 5.115%, October 12, 2020	946,376	973,122	
Total Mortgage Backed Securities	2,977,526	3,064,402	11.91%
Total Bonds and Mortgage Backed Securities	21,936,737	21,093,632	82.01%
Transaction Costs	(861)	-	
Total Investments	26,253,952	25,720,864	100.00%

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2012

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 operation on March 31, 2011.

Ridgewood is also the investment manager and distributor of units of the Fund. RBC Dexia Investor Services Trust is the custodian and registrar of the Fund, and, as such, performs certain valuation and other services for the Fund.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Capital Disclosures

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

Valuation of Investments

The Fund follows CICA Handbook Section 3855, "Financial Instruments - Recognition & Measurement".

The standard requires that the fair value of securities which are traded in active markets be measured based on bid price.

The difference between the Net Asset Value and the Net Assets calculated using bid prices as described above is disclosed in Note 8.

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 bid 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.

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

Income Recognition

Interest income is recognized as accrued.

Financial Instruments - Disclosures

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

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

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2012

Please see Note 11 for these disclosures.

Ordinary Expenses, Ridgewood will reimburse the Fund the amount of such excess.

4. UNITHOLDERS' EQUITY

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

Following are the unit transactions for the period from January 1 to June 30, 2012 and March 31 to December 31, 2011 during the year:

	2012	2011
Units outstanding, Beginning of period	1,590,198	-
Units issued for cash	1,629,232	1,714,451
Units redeemed	(301,283)	(192,259)
Units issued on reinvestment of distributions	78,988	68,006
Units outstanding, end of period	2,997,135	1,590,198

5. 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

6. DISTRIBUTIONS

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

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

7. INCOME TAXES

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

As at December 31, 2011, capital losses of \$1,274,626 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.

8. NET ASSET VALUE AND NET ASSETS

The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value be calculated in accordance with Canadian GAAP effective September 8, 2008. As a result of the amendments, the Net Asset Value of the Fund will continue to be calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). The adoption of these new rules will result in a different Net Assets per unit for financial reporting purposes and Net Asset Value per unit due to the use of different valuation techniques. The Net Asset Value per unit at June 30 is as follows:

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2012

June 30	2012	2011
Net Asset Value	8.95	9.86
Net Assets	8.81	9.83

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Interest Rate Risk

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

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

	Less than 1 month	1 - 3 months	3 months - 1 year
As at June 30, 2012			
Interest Rate Exposure	\$ 16,547	\$ -	\$ 363,652

	1 - 3 years	3 - 5 years	More than 5 years
As at June 30, 2012			
Interest Rate Exposure	\$ -	\$ 6,684,784	\$ 14,902,427

	Non Interest bearing	Total
As at June 30, 2012		
Interest Rate Exposure	\$ 4,263,581	\$ 26,230,991

	Less than 1 month	1 - 3 months	3 months - 1 year
As at December 31, 2011			
Interest Rate Exposure	\$ -	\$ -	\$ -

	1 - 3 years	3 - 5 years	More than 5 years
As at December 31, 2011			
Interest Rate Exposure	\$ 132,000	\$ 3,172,250	\$ 8,926,093

	Non Interest bearing	Total
As at December 31, 2011		
Interest Rate Exposure	\$ -	\$ 12,230,343

At June 30, 2012, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets for the period would amount to approximately \$1.2 million (December 31, 2011 - \$0.6 million) arising substantially from the increase in market values of debt securities, with a small portion affecting interest rate futures. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets would amount to approximately \$1.2 million (December 31 2011 - \$0.6 million).

Credit Risk

Financial instruments that potentially subject the Fund to a concentration of a credit risk consist primarily of cash and cash equivalents, short-term investments, and long-term 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 A/A 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.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

June 30, 2012

Portfolio by rating category June 30, 2012	
Rating	As a % of Net Assets
AAA/Aaa	1.38%
A/A	5.69%
BBB/Baa	41.24%
BB/Ba	9.47%
B/B	15.93%
Unrated	9.38%
Total	83.09%

Portfolio by rating category December 31, 2011	
Rating	As a % of Net Assets
A/A	0.00%
BBB/Baa	31.26%
BB/Ba	14.12%
B/B	21.46%
Unrated	20.56%
Total	87.40%

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

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's transactions and holdings are all in Canadian dollar, so there is no currency risk.

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 accrued liabilities are generally due and paid within three months.

10. FUTURE ACCOUNTING POLICY CHANGES

In January 2011, the Canadian Accounting Standards Board deferred the adoption of IFRS for another year. The Fund will be required to comply with International Financial Reporting Standards for the year beginning January 1, 2014.

11. Financial Instruments – Disclosures

Fair Value Disclosure

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 3 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011.

	as of June 30, 2012			Total
	Level 1	Level 2	Level 3	
Cash	16,547	-	-	16,547
Bonds	-	18,522,810	-	18,522,810
Equities	4,263,581	-	-	4,263,581
Mortgage Backed Securities (MBS)	-	3,064,402	-	3,064,402
Short Term Investments	-	363,651	-	363,651
	4,280,128	21,950,863	-	26,230,991

	as of June 30, 2012			Total
	Level 1	Level 2	Level 3	
Cash	393,593	-	-	393,593
Bonds	-	10,951,402	-	10,951,402
Mortgage Backed Securities (MBS)	-	1,278,941	-	1,278,941
Short Term Investments	1,171,250	-	-	1,171,250
	1,564,843	12,230,343	-	13,795,186

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