



## **Ridgewood Tactical Yield Fund**

Interim Report of Fund Performance  
For the six months ended June 30, 2012

# Ridgewood Tactical Yield Fund

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## Management Report on Fund Performance

For the six months ended June 30, 2012

### Management Report on Fund Performance

This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 416-842-0887 or 1-888-789-8957 toll free, or by writing to us at Investor Relations, Ridgewood Capital Asset Management Inc., 55 University Avenue, Suite 1020, Toronto, Ontario, M5J 2H7, or by visiting our website at [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

### Results of Operations

For the six months ended June 30, 2012, the net asset value of the Fund for pricing purposes was \$8.95 per unit compared to \$8.80 per unit at December 31, 2012.

For the six months ended June 30, 2012, the fund had a positive return of 5.09% net of fees of 1.29% while the DEX Universe Bond Index had a return of 2.03%. The bond market has been a safe and profitable sector of the capital markets with virtually all credit markets providing attractive opportunities. The strategy of the Fund has been to overweight corporate bonds relative to its benchmark as yields represent value relative to Government bonds. Term to maturity was also longer than average, which enabled the Fund to produce positive results

### Recent Developments

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. However they are the lone central bank that has indicated that at some point the "excessive monetary stimulus" will have to be withdrawn. The overriding concerns at this point are the European debt crisis which has been spreading to Spain and Italy, as well as the upcoming fiscal cliff in the U.S. The U.S. economy has been gradually picking up momentum but not enough to have a meaningful effect on employment growth. 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.

After modest growth in the first half of 2012, growth appears constrained by a slowing China and a recessionary Europe. Canada will not be immune to this and we therefore 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.

### Financial Highlights

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

Information for the period ended June 30, 2012 is derived from the Fund's unaudited semi-annual financial statements. For June 30, 2012, the Net Assets included in the Net Assets per Unit table is from the Fund's unaudited financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purpose and calculated using closing prices. All other calculations for the purposes of this MRFP are made using Net Asset Value.

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	Six months ended	Period ended December 31
	2012	2011
<b>THE FUND'S NET ASSETS PER UNIT</b>		
<b>Net Assets, Beginning of Period <sup>(1)</sup></b>	<b>\$ 8.80</b>	<b>\$ 10.00</b>
<b>INCREASE (DECREASE) FROM OPERATIONS</b>		
Total revenue	0.31	0.60
Total expenses	(0.07)	(0.12)
Realized gain (loss) for the period	(0.01)	(0.92)
Unrealized gain (loss) for the period	0.06	(0.47)
<b>Total Increase (Decrease) from Operations <sup>(2)</sup></b>	<b>0.29</b>	<b>(0.91)</b>
<b>DISTRIBUTIONS TO UNITHOLDERS</b>		
From income	(0.36)	(0.43)
<b>Total distributions <sup>(3)</sup></b>	<b>(0.36)</b>	<b>(0.66)</b>
<b>Net Assets, End of Period <sup>(1)</sup></b>	<b>\$ 8.95</b>	<b>\$ 8.80</b>

(1) This information is derived from the Fund's audited annual and unaudited semi-annual financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements. Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date and including the valuation of securities at bid prices divided by the number of units then outstanding.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant date. The increase (decrease) from operations is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

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

### RATIOS/SUPPLEMENTAL DATA

Net Asset Value, end of period (\$millions)	\$26.84	\$14.03
Number of units outstanding <sup>(1)</sup>	2,997,135	1,590,198
Management expense ratio <sup>(2)</sup>	1.29%	1.37%
Management expense before waivers or absorptions	1.29%	1.37%
Portfolio turnover rate <sup>(3)</sup>	41.24%	113.01%
<b>Net Asset Value per unit, end of period<sup>(4)</sup></b>	<b>\$ 8.95</b>	<b>\$ 8.82</b>

(1) This information is provided as at end of period noted.

(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes but excluding transaction fees charged to the Fund to the average net assets.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(4) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.

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### Management Fees

Ridgewood Capital Asset Management Inc. (the "Manager") is entitled to an annual management fee payable out of the assets of the Fund. The maximum management fee is equal to 1.25% (excluding HST) of the weighted average net asset value of the Fund less ordinary expenses of the Fund. The management fee is calculated on a monthly basis as of the last valuation date of each month. Services received under the Master Declaration of Trust include managing or arranging for the management of the Fund's investment portfolio and providing or arranging for all required administrative services to the Fund.

### Past Performance

The Fund has been in existence for fifteen months and as such there is no annual information as at December 31, 2011. The six month return was 5.09% as noted in "Results of Operations"

### Summary of Investment Portfolio

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca).

#### Asset Mix

June 30, 2010

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	82.3	Cash & Short-Term Investments	1.4
Equities	16.3		

# Ridgewood Tactical Yield Fund

## Management Report on Fund Performance

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### Top 25 Holdings

	% of Total Net Asset Value
1. Royal Bank of Scotland 10.50%, 22/03/16	5.60%
2. Goldman Sachs 5.20%, 17/04/19	5.30%
3. Lloyds TSB Bank 10.125%, 21/12/16	5.30%
4. RTL-Westcan 9.50%, 17/04/07	5.10%
5. Citibank 5.365%, 36/03/06	5.00%
6. Merrill Lynch 5.29%, 17/05/30	5.00%
7. Russel Metals 6.00%, 22/04/19	4.90%
8. Cara Operations 9.125%, 15/12/01	4.60%
9. Merrill Lynch Financial Assets C22 D2017, 17/05/12	4.40%
10. Livingston Int'l 10.125%, 15/11/09	4.00%
11. Granite Real Estate	4.00%
12. Citibank 5.16%, 22/05/24	3.70%
13. Realt 5.11495%, 20/10/12	3.70%
14. Merrill Lynch Financial Assets C21 D, 17/01/12	3.60%
15. C2C Industrial Properties Inc	3.50%
16. Skylink Aviation 12.25%, 16/03/15	3.50%
17. Allied Properties	3.30%
18. Dundee REIT	3.10%
19. Garda World 9.75%, 17/03/15	2.80%
20. Leisureworld Senior Care Corp	2.40%
21. Newalta 7.75%, 19/11/14	2.00%
22. Lloyds Bank PLC 5.28%, 16/04/19	2.00%
23. Kruger Products 8.00%, 18/08/09	1.90%
24. JP Morgan 5.058%, 16/02/22	1.90%
25. Allied Nevada Gold 8.75%, 19/06/01	1.90%
<b>Total</b>	<b>92.40%</b>

### 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 current members of the IRC 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.

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### 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.

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