



## **Ridgewood Tactical Yield Fund**

Interim Report of Fund Performance  
For the period from March 31, 2011 to June 30, 2011

# Ridgewood Tactical Yield Fund

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## Management Report on Fund Performance

For the period from March 31, 2011 to June 30, 2011

### 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 financials statement 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 quarterly portfolio disclosure.

### 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	80.5	Cash & Short-Term Investments	10.2
Equities	16.7	Other Net Assets (Liabilities)	-7.4

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### Top 25 Holdings

	% of Total Net Asset Value
1. Skylink Aviation 12.25% Mar 15 2016	11.6%
2. Cash	9.5%
3. Superior Plus 8.25% Oct 27 2016	6.5%
4. Livingston International 10.125 Nov 9 2015	6.1%
5. Connacher Oil 8.75% Aug 1 2018	5.7%
6. Trident Exploration 8.25% April 13 2018	5.7%
7. Gateway Casinos 8.875% Nov 15 2017	5.6%
8. Yellow Media Inc. 7.75% Mar 2 2020	5.4%
9. RTL-Westcan LP 9.5% April 7 2017	4.2%
10. North American Energy 9.125 April 7 2017	4.1%
11. Quebecor Media 7.375% Jan 15 2021	4.0%
12. Artis Real Estate Investment Trust	4.0%
13. Cara Operations 9.125 Dec 1 2015	3.6%
14. Whiterock Real Estate Investment Trust	3.1%
15. Citigroup Inc 5.365% Mar 6 2036	2.9%
16. Real Estate Asset Liquidity Trust 5.114% Oct 12 2020	2.7%
17. Cominar Real Estate Investment Trust	2.6%
18. Perpetual Energy 8.75% Mar 15 2018	2.4%
19. Precision Drilling 6.5% Mar 15 2019	2.3%
20. Paramount Resources 8.25% Dec 13 2017	2.1%
21. Retrocom Min Mkt Real Estate Inv Trust	2.1%
22. Brookfield Office Properties Canada	1.5%
23. Calloway Real Estate Investment Trust	1.4%
24. Morguard Real Estate Investment Trust	.9%
	100.0%

### Investment Objectives and Strategies

This fund seeks to achieve a level of income, from a portfolio of fixed income securities that is generally higher than the DEX Universe Bond Index and other traditional fixed income funds. The fund will attempt to achieve capital gains through active management and by investing in sectors such as preferred shares, investment grade bonds, convertible bonds, real estate investment trusts and high yield bonds. The fund may also invest in comparable securities of foreign issuers.

The portfolio manager uses the following investment strategies to achieve the fund's objectives:

- managing the portfolio to take advantage of changing levels of interest rates to capitalize on yield disparities between different issuers or sectors
- choosing many different investment terms based on the interest rate outlook
- hedging the currency if necessary

The fund may invest in securities denominated in currencies other than Canadian dollars from time to time. The amount of such investments will vary but is not typically expected to exceed 30% of the net assets of the fund at the time that such securities are purchased

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### Risk

The fund invests primarily in fixed income securities, including high-yielding fixed income securities. The Fund may also invest in preferred shares, convertible debentures, units of REITs and high dividend-paying equity securities of Canadian issuers. The fund will therefore primarily be subject to interest rate risk, credit risk and stock market risk. To the extent that the fund invests in foreign issuers, it will be subject to foreign currency risk (to the extent such securities are denominated in foreign currencies), risk of investment in foreign securities.

### Results of Operations

For the period from March 31, 2011 to June 30, 2011, the net asset value of the Fund for pricing purposes was \$9.83 per unit.

For the period from March 31, 2011 to June 30, 2011, the fund had a negative return of 2.10% net of fees of 1.11% while the DEX Universe Bond Index had a return of 2.48%. 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.

### 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, 2011 is derived from the Fund's unaudited semi-annual financial statements. For June 30, 2011, 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.

	2011
<b>THE FUND'S NET ASSETS PER UNIT</b>	
<b>Net Assets, Beginning of Period <sup>(1)</sup></b>	<b>\$ -</b>
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	
Total revenue	0.20
Total expenses	0.04
Realized loss for the period	(0.09)
Unrealized loss for the period	(0.39)
<b>Total Increase (Decrease) from Operations <sup>(2)</sup></b>	<b>(0.24)</b>
<b>DISTRIBUTIONS TO UNITHOLDERS</b>	
From taxable income	-
From capital gains	-
<b>Total distributions <sup>(3)</sup></b>	<b>-</b>
<b>Net Assets, End of Period <sup>(1)</sup></b>	<b>\$ 9.83</b>

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- (1) This information is derived from the Fund's 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. 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) Total increase (decrease) from operations consists of interest revenue, realized and unrealized gains (losses), less expenses, and 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)	\$	16.11
Number of units outstanding		1,633,762
Management expense ratio (including HST) <sup>(1)</sup>		1.11%
Management expense ratio including expenses absorbed by the Manager		1.11%
Portfolio turnover rate <sup>(2)</sup>		66.47%
Net Asset Value per unit, end of period <sup>(3)</sup>	\$	9.86

- (1) 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.
- (2) 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.
- (3) 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.

## 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.

## 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. They are acutely aware of the recent credit crisis in Europe and the resulting slowdown it will have on global growth. Also, the U.S. economy has been showing signs of deceleration lately and the Canadian market is closely linked, to the extent that we 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 affect of a potential drag on future growth.

It appears that the global economy is heading into a soft patch in the second half of 2011 and our focus therefore will be on being fully invested for 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.

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### **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 a Master Investment Management Agreement made between Ridgewood in its capacity as investment advisor and Ridgewood in its capacity as trustee dated September 1, 2008.

Ridgewood is the Manager and Trustee of the Fund pursuant to a Declaration of Trust dated September 1, 2008, and, as such, is responsible for providing or arranging for required administrative services to the Fund.

### **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.

### **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 Capital Asset Management Inc.**

55 University Avenue, Suite 1020

Toronto, Ontario M5J 2H7

Tel: 416-842-0227                      1-888-789-8957

Fax: 416-479-2750

e-mail: [contact@ridgewoodcapital.ca](mailto:contact@ridgewoodcapital.ca)

[www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca)