



Ridgewood Tactical Yield Fund

Annual Report 2015

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MESSAGE TO UNITHOLDERS

Strong bond market performance in 2015 continued with investors adding to their fixed income holdings as the concerns of global growth persisted. First quarter was strong for all risk assets as the TSX gained 2.6%, while the bond index was up 4.2% during the same period. The Bank of Canada surprised markets with a 0.25% drop in interest rates in the quarter in response to the sharp drop in oil prices.

In the second quarter both stocks and bonds fell, returning -1.6% and -1.7% respectively. The ongoing negotiations between Greece and its creditors created a volatile market. Concerns over China's growth prospects and over leveraged stock market caused a dramatic sell off in Chinese equities at the end of the quarter and had a ripple effect into the global stock market. Corporate bonds outperformed as the reach for higher yield continued to attract money into this sector.

During the third quarter, the index was relatively flat, returning 0.2%, while the TSX dropped 7.9%. The sentiment was negative during the quarter as concerns over an economic slowdown in China, as well as globally, weighed on investors. China devalued its currency, reduced interest rates and intervened in the equity market in an attempt to stabilize its economy and market. The US Fed continued to monitor the economy and did not raise rates as many expected in September. The Canadian dollar dropped to new lows as oil continued its descent, with concerns over the impact this would have on the country's economic growth. Both Canada and the U.S. continued to benefit from "safe haven" status and the fact that they are only a handful of countries that are rated AAA.

There was improvement in the fourth quarter as bonds returned +1.0% while equities dropped slightly, returning -1.4%. The US Fed raised overnight rates 25 bps to a range of 0.25-0.50 bp during its December meeting, reiterating that the pace of hikes will be gradual. For the year, the Canadian bond index returned +3.5%, ahead of the TSX which lost 8.3%. Provincial bonds were the top performer at +4.1%, followed by federal bonds at +3.7%. The weakest sector in the bond market was Energy bonds returning just 1.2%. We believe that the low growth and inflation environment will keep interest rates down and demand for corporate bonds strong as the reach for yield continues into 2016.

March 2016

Ridgewood Tactical Yield Fund

For the year ended December 31, 2015

Management Report on Fund Performance

This Management Report on Fund Performance has been prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) and contains the financial highlights of Ridgewood Tactical Yield Fund (the "Fund") for the year ended December 31, 2015. The annual audited financial statements of the Fund are also attached behind this report.

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

Investment Objectives and Strategies

This fund seeks to achieve a high level of income and capital gains from an actively managed portfolio comprised primarily of 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.

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.

Investment decisions are made by:

- examining economic indicators like growth, inflation and monetary policy
- analyzing credit ratings of issuers to determine the best potential investments
- allocating investments among various sectors to diversify the fund's holdings

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.

Risk

The Fund primarily invests in high yield bonds, investment grade bonds, real estate investment trusts and preferred shares. The Fund may also invest to a limited extent in comparable fixed income securities of foreign issuers. Investors should be aware that the primary risk associated with the Fund is credit risk. Securities in this fund will have a higher level of volatility relative to a traditional bond fund.

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.

Asset Mix

December 31, 2014

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	76.3	Equities	8.7
Mortgage Backed Securities	6.7	Federal Bonds	7.4
Cash & Short-term Investments	.9		

Ridgewood Tactical Yield Fund

For the year ended December 31, 2015

Top 25 Holdings

	% of Total Net Asset Value
1. First National Financial Corp., 4.01%, 2020/04/09	3.7%
2. Canadian Pacific Railway Co., 6.45%, 2039/11/17	3.4%
3. Mattamy Group Corp., 6.50%, 2020/11/15	3.2%
4. Pershing Square Holdings Ltd., 5.50%, 2020/07/15	3.2%
5. Canadian Government Bond, 3.50%, 2045/12/01	3.2%
6. Citigroup Inc., 4.09%, 2025/06/09	3.1%
7. Canadian Government Bond, 1.50%, 2026/06/01	3.0%
8. MCAP Commercial LP., 3.955%, 2019/03/11	3.0%
9. Enbridge Pipelines Inc., 4.55%, 2045/09/29	2.7%
10. Citigroup Inc., 5.16%, 2027/05/24	2.6%
11. Slate Retail REIT	2.6%
12. River Cree Enterprises LP, 11.00%, 2021/01/20	2.5%
13. Medavie Inc., 6.00%, 2024/05/21	2.5%
14. Federated Co-Operatives Ltd., 3.917%, 2025/06/17	2.5%
15. Superior Plus LP, 6.50%, 2021/12/09	2.4%
16. TELUS Corp., 4.85%, 2044/04/05	2.4%
17. Bank of America Corp., 5.20%, 2049/12/31	2.4%
18. TransAlta Corp., 5.00%, 2020/11/25	2.2%
19. Dream Global Real Estate Investment Trust	2.2%
20. Dream Industrial Real Estate Investment Trust	2.0%
21. Allied Properties Real Estate Investment Trust	1.9%
22. Northland Power Solar Finance One LP, 4.397%, 2032/06/30	1.9%
23. Iron Mountain Canada Operations ULC., 6.125%, 2021/08/15	1.9%
24. Gateway Casinos & Entertainment Ltd., 8.500%, 2020/11/26	1.8%
25. Merrill Lynch Financial Assets Inc, 5.22%, 2017/05/12	1.7%
Total	64.0%

Results of Operations

For the year ended December 31, 2015, the net asset value of the Fund for was \$9.13 per unit compared to \$9.16 per unit at December 31, 2014.

Net income and net capital gains of the Fund may be distributed to unitholders of the Fund from time to time at the discretion of Ridgewood. Sufficient distributions will be made each year so the Fund will not be liable for income tax. Distributions totaling \$0.33 per unit were made to unitholders during the year.

For the year ended December 31, 2015, the Fund had an annual return of 3.20% net of fees of 1.42% (including HST) while the FTSE/TMX Universe Bond Index had a return of 3.53%. In 2015 corporate bonds returned 2.71% which was below the overall bond index. Real estate and industrial corporate bonds outperformed returning 4.03% and 3.68% respectively. The portfolio was overweight in these sectors and benefited from this exposure.

Ridgewood Tactical Yield Fund

For the year ended December 31, 2015

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 years (period).

Information for the year ended December 31 is derived from the Fund's audited financial statements, with the exception of 2013 information, which was re-stated in accordance with IFRS requirements. For December 31, 2014 and 2013, the Net Assets included in the Net Assets per Unit table is from the Fund's audited financial statements and are calculated using closing prices as well the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of the MRFP are made using Net Asset Value.

	Years ended December 31				
	2015	2014	2013	2012	2011
The fund's net assets per unit					
Net assets value, beginning of year ⁽¹⁾	\$ 9.16	\$ 8.78	\$ 9.02	\$ 8.82	\$ 10.00
Increase (decrease) from operations					
Total revenue	0.46	0.50	0.53	0.58	0.60
Total expenses (excluding distributions)	(0.13)	(0.14)	(0.14)	(0.14)	(0.12)
Realized gain/(loss) for the year	0.05	0.11	0.05	(0.34)	(0.92)
Unrealized gain/(loss) for the year	(0.16)	0.26	(0.27)	0.68	(0.47)
Total increase (decrease) from operations ⁽²⁾	0.22	0.73	0.17	0.78	(0.91)
Distributions to unitholders					
From net investment income	(0.33)	(0.37)	(0.40)	(0.41)	(0.43)
From return of capital	-	-	(0.04)	(0.21)	-
Total distributions ⁽³⁾	(0.33)	(0.37)	(0.44)	(0.62)	(0.43)
Net assets value, end of year ⁽¹⁾	\$ 9.13	\$ 9.16	\$ 8.78	\$ 9.02	\$ 8.82

(1) This information is derived from the Fund's audited financial statements as at December 31 of the year, with the exception of 2013 information, which was re-stated in accordance with new IFRS requirements. For all prior years the financial statements of the Fund were prepared in accordance with Canadian GAAP applicable to public enterprises. 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.

(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 year (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 year (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.

	2015	2014	2013	2012	2011
Ratios/supplemental Data					
Net Asset Value, end of year (\$millions) ⁽¹⁾	\$ 82.62	\$ 62.30	\$ 52.64	\$ 35.85	\$ 14.03
Number of units outstanding ⁽¹⁾	9,049,710	6,798,795	5,992,362	3,976,553	1,590,198
Management expense ratio (including HST) ⁽²⁾	1.42%	1.45%	1.45%	1.38%	1.37%
Management expense ratio including expenses absorbed by the Manager	1.42%	1.45%	1.45%	1.38%	1.37%
Portfolio turnover rate ⁽³⁾	199.20%	139.14%	85.07%	70.55%	113.01%
Trading expense ratio	0.04%	0.03%	0.07%	0.07%	0.18%
Net Asset Value per unit, end of year ⁽⁴⁾	\$ 9.13	\$ 9.16	\$ 8.78	\$ 9.02	\$ 8.82

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio is the ratio of all fees and expenses, including harmonized sales 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.

Ridgewood Tactical Yield Fund

For the year ended December 31, 2015

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

Interest rates declined moderately in 2015 as the economic recovery was characterized by a lack of confidence in business and consumers. Commodities continue to struggle as oil reached multi-year lows causing the Canadian dollar to depreciate in sympathy. Inflation targeting in the area of 2% continues, however the market is concerned that this level may not be reached in the medium term. The bond market has benefited from this collective view, with assets diverted to fixed income and away from equities. As government rates decline further, corporate bonds become an attractive asset class for investors wishing to maintain income.

Past Performance

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

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

- the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund;
- the return or performance information does not take into account optional charges or income taxes payable that would have reduced returns or performance; and
- how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

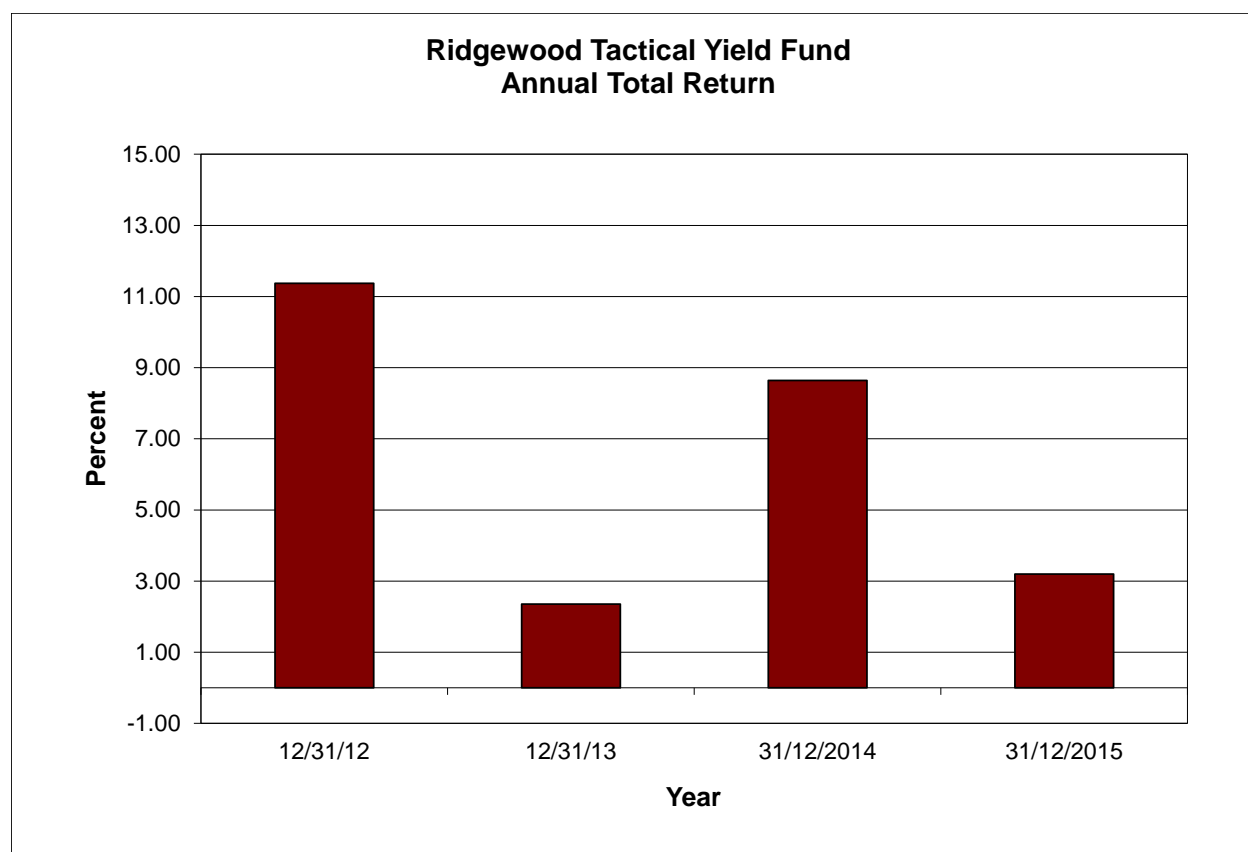
Year-By-Year Returns

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

Ridgewood Tactical Yield Fund

For the year ended December 31, 2015

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual total return (net of fees of 1.42% including HST) for the period ended December 31 as compared to the performance of the DEX Universe Bond Index.

	One Year	Three Years	Five Years	Ten Years
Ridgewood Tactical Yield Fund	3.20%	4.69%		
FTSE TMX Canada Universe Bond *	3.53%	3.63%		

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

Related Party Transactions

Ridgewood Capital Asset Management Inc. ("Ridgewood") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to 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.

Ridgewood Tactical Yield Fund

For the year ended December 31, 2015

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.

For the period January 1 to December 31, 2014, members of the IRC were 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.

Accounting Standards Issues and Amendments 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.

In December 2014, Disclosure Initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. The amendments also require separate disclosure of other comprehensive income attributable to joint ventures and associates, classified by nature. These amendments are effective for annual periods beginning on or after January 1, 2016. We will provide this disclosure in our 2016 Consolidated Financial Statements.

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 Tactical Yield Fund

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

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



John H. Simpson
Director
Ridgewood Capital Asset Management Inc.



Paul W. Meyer
Director
Ridgewood Capital Asset Management Inc.

March 21, 2016

Independent Auditor's Report

To the Unitholders of
Ridgewood Tactical Yield Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2015 and December 31, 2014, the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015 and December 31, 2014, and its financial performance, its changes in net assets attributable to holders of redeemable units and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 21, 2016

Ridgewood Tactical Yield Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015, and 2014

	31-Dec-15	31-Dec-14
	\$	\$
Assets		
Financial assets at fair value through profit or loss (Cost: 31-Dec-15 - \$81,019,748; 31-Dec-14 - \$59,786,661)	81,249,775	61,267,322
Short-term investments at fair value (Cost: 31-Dec-15 - \$707,742; 31-Dec-14 - \$560,105)	707,742	560,105
Cash	4,747	131,106
Accrued interest receivable	755,530	457,932
Dividends receivable	46,609	50,728
Prepaid fees	8,841	4,632
Subscriptions receivable	42,195	121,000
Total Assets	82,815,439	62,592,825
Liabilities		
Current liabilities		
Accrued expenses	164,025	144,196
Redemptions payable	35,350	144,770
Total Liabilities (excluding net assets attributable to holders of redeemable units)	199,375	288,966
Net Assets attributable to holders of redeemable units	82,616,064	62,303,859
Number of Units Outstanding (Note 5)	9,049,710	6,798,795
Net assets attributable to holders of redeemable units per unit	9.1291	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 years ended December 31, 2015 and 2014

	31-Dec-15	31-Dec-14
	\$	\$
Income		
Interest income for distribution purposes	3,349,995	2,979,497
Dividend income	269,840	267,881
Foreign exchange (loss) on cash	(20,108)	-
Other changes in fair value on financial assets and liabilities at fair value through profit or loss		
Net realized gain on sale of investments	449,084	729,833
Net change in unrealized (depreciation) appreciation of investments	(1,250,633)	1,649,616
Total income	2,798,178	5,626,827
Expenses		
Management fees (Note 7)	802,721	606,733
Administrative and other expenses	23,982	48,558
Custodian fees	60,807	59,906
Harmonized Sales Tax expense	107,138	90,112
Independent Review Committee fees	14,625	19,944
Audit fees	17,088	19,990
Legal fees	4,948	18,398
Withholding taxes	6,005	-
Transaction costs	29,160	18,137
Total operating expenses	1,066,474	881,778
Operating profit	1,731,704	4,745,049
Increase in net assets attributable to holders of redeemable units	1,731,704	4,745,049
Daily average number of units	7,826,221	6,531,382
Increase in net assets attributable to holders of redeemable units per unit	0.2213	0.7260

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 years ended December 31, 2015 and 2014

	2015	2014
	\$	\$
Net Assets Attributable to Holders of Redeemable units at beginning of year	62,303,859	52,639,323
Distributions to redeemable unitholders		
From net investment income	(2,559,504)	(2,397,204)
Redeemable Unit Transactions (Note 5)		
Proceeds from units issued	31,144,386	14,039,231
Amount paid for units redeemed	(12,404,643)	(8,967,479)
Reinvestment of distributions	2,400,262	2,244,939
	21,140,005	7,316,691
Increase in net assets attributable to holders of redeemable units	1,731,704	4,745,049
Net Assets Attributable to Holders of Redeemable units at end of year	82,616,064	62,303,859

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

	2015	2014
	\$	\$
Cash provided by (used in) operating activities		
Net increase (decrease) in net assets attributable to holders of redeemable units	1,731,704	4,745,049
Adjustments for		
Interest income on short-term notes	(5,659)	(19,627)
Net realized gain on investments excluding foreign currency	(449,084)	(729,833)
Net change in unrealized depreciation (appreciation) on investments	1,250,633	(1,649,616)
Purchase of investments	(226,314,297)	(140,680,603)
Proceeds from sale of investments	205,359,157	133,261,221
Transaction costs	29,160	18,137
(Increase) decrease in accrued interest and dividends receivable	(293,479)	137,329
Increase in prepaid fees	(4,209)	(2,529)
Increase in accrued expenses	19,829	69,088
Net cash (used in) operating activities	(18,676,245)	(4,851,384)
Cash provided by (used in) financing activities		
Subscriptions received in advance	78,805	(68,000)
Redemptions payable in advance	(109,420)	96,941
Distributions paid to holders of redeemable units, net of reinvested distributions	(159,242)	(152,265)
Proceeds from units issued	31,144,386	14,039,231
Payment for redemption of shares	(12,404,643)	(8,967,479)
Net cash provided by financing activities	18,549,886	4,948,428
(Decrease) Increase in cash	(126,359)	97,044
Cash, beginning of year	131,106	34,062
Cash, end of year	4,747	131,106
Interest received	3,052,397	3,130,956
Dividends received, net of withholding taxes	267,954	253,751

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

Ridgewood Tactical Yield Fund
Schedule of Investments

As at December 31, 2015

Par Value	Average Cost	Fair Value	% of Portfolio
	\$	\$	
Short-term Investments			
Treasury Bills			
710000 Canadian Treasury Bill, 0.491%, August 25, 2016	707,742	707,742	0.86%
Investments			
Federal Bonds			
990000 Canadian Government Bond, 0.750%, September 01, 2020	990,644	990,994	
2500000 Canadian Government Bond, 1.500%, June 01, 2026	2,484,206	2,493,761	
2000000 Canadian Government Bond, 3.500%, December 01, 2045	2,602,400	2,593,927	
Total Federal Bonds	6,077,250	6,078,682	7.36%
Corporate Bonds			
1500000 Bank of America Corp., 5.200%, December 31, 2049	1,491,503	1,943,005	
500000 Bank of America Corp., 6.250%, December 31, 2049	544,750	697,155	
1000000 Bank of Nova Scotia, 3.367%, December 08, 2025	1,000,000	1,007,271	
1000000 Brookfield Asset Management Inc., 5.950%, June 14, 2035	1,101,500	1,095,345	
1000000 Brookfield Infrastructure Finance ULC, 3.452%, March 11, 2022	999,999	986,687	
1000000 Brookfield Residential Properties Inc., 6.125%, May 15, 2023	1,000,000	979,875	
2328000 Canadian Pacific Railway Co., 6.450%, November 17, 2039	2,986,891	2,812,203	
2500000 Citigroup Inc., 4.090%, June 09, 2025	2,501,119	2,523,658	
2000000 Citigroup Inc., 5.160%, May 24, 2027	2,008,000	2,165,039	
1000000 Corus Entertainment Inc., 4.250%, February 11, 2020	992,500	930,083	
1000000 DHX Media Ltd., 5.875%, December 02, 2021	1,000,000	984,583	
2250000 Enbridge Pipelines Inc., 4.550%, September 29, 2045	2,236,140	2,204,905	
2000000 Federated Co-Operatives Ltd., 3.917%, June 17, 2025	2,000,000	2,007,584	
3000000 First National Financial Corp., 4.010%, April 09, 2020	3,002,500	3,019,715	
1000000 FortisAlberta Inc., 4.270%, September 22, 2045	998,820	1,033,035	
1500000 Gateway Casinos & Entertainment Ltd., 8.500%, November 26, 2020	1,500,000	1,446,250	
500000 GFL Environmental Corp., 7.500%, June 18, 2018	516,250	497,188	
500000 GFL Environmental Inc., 7.875%, April 01, 2020	623,840	691,078	
1000000 Golf Town Canada Inc / Golfsmith International Holdings Inc., 10.500%, July 24, 2018	1,008,438	740,169	
850000 Great Canadian Gaming Corp., 6.625%, July 25, 2022	866,625	853,541	
1500000 Iron Mountain Canada Operations ULC., 6.125%, August 15, 2021	1,520,625	1,526,875	
2000000 Mattamy Group Corp., 6.500%, November 15, 2020	2,402,164	2,653,183	
1000000 Mattamy Group Corp., 6.875%, November 15, 2020	999,519	975,833	
2485000 MCAP Commercial LP, 3.955%, March 11, 2019	2,468,848	2,484,754	
2000000 Medavie Inc., 6.000%, May 21, 2024	2,028,000	2,055,000	
500000 Newalta Corp., 5.875%, April 01, 2021	500,000	432,292	
1460521 Northland Power Solar Finance One LP, 4.397%, June 30, 2032	1,460,725	1,547,473	
1000000 Nova Scotia Power Inc., 3.612%, May 01, 2045	1,000,000	905,760	
1000000 Parkland Fuel Corp., 5.500%, May 28, 2021	1,000,000	993,750	
500000 Parkland Fuel Corp., 6.000%, November 21, 2022	500,000	500,729	
1000000 Pembina Pipeline Corp., 4.810%, March 25, 2044	1,039,290	910,381	
2000000 Pershing Square Holdings Ltd., 5.500%, July 15, 2022	2,496,988	2,604,426	
1000000 Reliance LP, 4.075%, August 02, 2021	1,000,000	1,007,432	
2000000 River Cree Enterprises LP, 11.000%, January 20, 2021	2,037,500	2,102,500	
1000000 Royal Bank of Scotland Group PLC, 5.125%, May 28, 2024	1,077,751	1,409,764	
341102 Sherritt International Corp., 7.500%, September 24, 2020	341,102	185,759	
1000000 Sherritt International Corp., 7.875%, October 11, 2022	980,000	524,167	
1000000 Sobeys Inc., 6.060%, October 29, 2035	1,096,620	1,119,611	
1000000 Sobeys Inc., 6.640%, June 07, 2040	1,200,700	1,182,537	
2000000 Superior Plus LP, 6.500%, December 09, 2021	2,000,000	1,970,000	
1000000 TELUS Corp., 3.750%, March 10, 2026	992,140	1,007,713	
2000000 TELUS Corp., 4.850%, April 05, 2044	1,948,760	1,954,804	
2000000 TransAlta Corp., 5.000%, November 25, 2020	1,975,850	1,830,568	
1500000 TransAlta Corp., 7.300%, October 22, 2029	1,476,500	1,278,853	
900000 TransAlta Corp., 6.900%, November 15, 2030	933,400	739,780	
Total Corporate Bonds	62,855,357	62,522,313	75.67%
Equities			
49300 Allied Properties Real Estate Investment Trust	1,589,022	1,556,401	
210000 Dream Global Real Estate Investment Trust	1,955,682	1,818,600	
226400 Dream Industrial Real Estate Investment Trust	1,969,318	1,625,552	
146885 Slate Retail REIT	1,747,059	2,123,957	
Total Equities	7,261,081	7,124,510	8.62%
Mortgage Backed Securities			
1000000 Institutional Mortgage Securities Canada Inc., 4.664%, July 12, 2045	897,500	1,039,170	
1000000 Merrill Lynch Financial Assets Inc., 5.192%, January 12, 2040	929,550	1,006,000	
1000000 Merrill Lynch Financial Assets Inc., 5.726%, May 12, 2044	946,300	1,038,000	
1400000 Merrill Lynch Financial Assets Inc., 5.220%, March 12, 2049	1,101,600	1,426,600	
1000000 Schooner Trust, 5.236%, June 12, 2022	966,770	1,014,500	
Total Mortgage Backed Securities	4,841,720	5,524,270	6.69%
Investments	81,035,408	81,249,775	98.34%
Transaction costs	(15,660)	-	-
Total Investments and short-term Investments	81,019,748	81,249,775	98.34%
Cash and other assets, net of liabilities		658,547	0.80%
Net Assets		82,616,064	100.00%

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2015

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 March 21, 2016.

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 annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 ("FVYPL"). 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

December 31, 2015

4. Summary of significant accounting policies (continued)

Transaction costs

Transaction costs are expensed and are included in "transaction costs" in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The cost of investments for each security is determined on an average cost basis.

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 "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

December 31, 2015

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2015

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 11 – 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. Each redeemable unit is entitled to one vote at any meeting of unitholders and to equal participation in any distributions made by the Fund. Fractional units are not entitled to voting privileges. Each redeemable unit is redeemable at the option of the unitholder in accordance with the Trust Agreement 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 December 31, 2015 and January 1 to December 31, 2014:

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2015

5. Redeemable Units (continued)

	2015	2014
Units outstanding, beginning of year	6,798,795	5,992,362
Units issued for cash	3,336,396	1,541,347
Units redeemed	(1,342,950)	(981,340)
Units issued on reinvestment of distributions	257,469	246,426
Units outstanding, end of year	9,049,710	6,798,795

6. Related party transactions

The Fund's investment activities are managed by Ridgewood Capital Asset Management Inc.

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 year ended December 31, 2015 amounted to \$802,721 (December 31, 2014 - \$606,733).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2015 was \$14,625 (December 31, 2014 - \$19,944).

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

December 31, 2015

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, 2015, capital losses of \$906,147 (2014 - \$1,516,741) 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 repricing or maturity dates.

As at December 31, 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	4,747	-	707,742	1,237,357	15,208,217	57,679,692	7,124,509	81,962,264

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 December 31, 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 \$6.0 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 \$6.0 million (December 31, 2014 - \$3.7 million).

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2015

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.

Rating	December 31, 2015 As a % of Net Assets
AAA/Aaa	8.21%
A/A	2.58%
BBB/Baa	49.42%
BB/Ba	19.87%
B/B	7.12%
CC/Ca	0.90%
Unrated	2.49%
Total	90.58%

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.

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 December 31, 2015, the Fund held \$10,154,967 (December 31, 2014 - \$3,370,208) in assets and liabilities denominated in currencies other than the Canadian dollar. As at December 31, 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 \$507,748 (December 31, 2013 - \$168,510).

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2015

10. Financial instruments and risk management (continued)

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 \$0.7 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.

December 31, 2015			
Financial Liabilities	On Demand	< 3 Months	Total
Redemptions payable	\$ -	\$ 35,350	\$ 35,350
Accrued expenses	-	164,025	164,025
Net Assets attributable to holders of redeemable units	82,616,064	-	82,616,064
Total liabilities	\$ 82,616,064	\$ 199,375	\$ 82,815,439

December 31, 2014			
Financial Liabilities	On Demand	< 3 Months	Total
Redemptions payable	\$ -	\$ 144,770	\$ 144,770
Accrued expenses	-	144,196	144,196
Net Assets attributable to holders of redeemable units	62,303,859	-	62,303,859
Total liabilities	\$ 62,303,859	\$ 288,966	\$ 62,592,825

Concentration risk

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

Market segments	December 31, 2015	December 31, 2014
Canadian Short Term Investments	0.86%	0.90%
Federal Bonds	7.36%	3.02%
Provincial Bonds	-	2.49%
Corporate Bonds	75.67%	66.24%
Mortgage Backed Securities	6.69%	10.43%
Equities	8.62%	16.16%
Total	99.20%	99.24%

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2015

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 December 31, 2015 and 2014.

Financial assets at fair value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	4,747	-	-	4,747
Short Term Investments	-	707,742	-	707,742
Bonds	-	68,600,995	-	68,600,995
Mortgage Backed Securities (MBS)	-	5,524,270	-	5,524,270
Equities	7,124,510	-	-	7,124,510
	<u>7,129,257</u>	<u>74,833,007</u>	<u>-</u>	<u>81,962,264</u>

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
	<u>10,194,409</u>	<u>51,764,124</u>	<u>-</u>	<u>61,958,533</u>

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

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

12. Financial instruments by category

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

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2015

13. Future accounting policies

Accounting standards issues and amendments 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.

In December 2014, Disclosure Initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. The amendments also require separate disclosure of other comprehensive income attributable to joint ventures and associates, classified by nature. These amendments are effective for annual periods beginning on or after January 1, 2016. We will provide this disclosure in our 2016 Financial Statements.

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian *Bond Fund*

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