



Ridgewood Tactical Yield Fund

Annual Report 2016

Ridgewood Tactical Yield Fund

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MESSAGE TO UNITHOLDERS 2016

The bond market experienced a modest overall gain of 1.39% in the first quarter as risk assets attracted capital. Evidence of this was seen in the stock market as the S&P/TSX returned 4.54%. The positive market tone was aided by passive central banks which stayed on the sidelines with little appetite to hike interest rates at this point in the cycle. The European central bank was still in full easing mode and continues to buy Government and corporate bonds in the open market. Commodities remained weak which kept inflation low, pushing CPI in Canada down to 1.3% at the end of the first quarter.

In the second quarter both stocks and bonds rallied again, returning 5.07% and 2.62% respectively. Soft data globally sent a signal to the markets that rates will stay low for an extended period of time. Although the UK's 'Yes' vote for leaving the European Union came as a surprise, the markets returned to business as usual after an initial risk-off reaction. Even though the U.S. data warranted a hike, the central bank was concerned about the asymmetric risks of being the only major country to get ahead of the curve. Energy bonds were the top performing sector, coming in at a positive 4.59%.

During the third quarter, the bond market was strong again; returning 1.19%, while the S&P/TSX rose 5.45%. The sentiment was positive during the quarter as concerns over an economic slowdown in China, as well as globally, failed to materialize. China embarked on a stimulation program by continuing to gradually devalue its currency, and assist its real estate and banking sectors. The US Fed continued to watch economic data and discuss when the appropriate time was to begin to raise the overnight interest rate. With employment strong and corporate profits steady, risk appetites continued to increase. Corporate bonds again outperformed the overall index by 40 basis points.

The market had a challenging fourth quarter as investors quickly sold risk assets due to the impending interest rate hike by the Federal Open Market Committee. Although the Bank of Canada is likely a year away from raising interest rates, our bond market is highly correlated to the U.S bond market and thus fell in sympathy. Bonds dropped 3.44% in the quarter, with equities putting in a strong performance of positive 4.54%. In December, the FOMC finally pulled the trigger on the overnight rate, and increased the range to 0.50- 0.75% from 0.25-0.50%. For the year, the Canadian bond index returned +1.66%, while the TSX gained 21.08%. Energy bonds were the top performer at +6.73%, followed by communication bonds at +5.28%. The weakest sector in the bond market was Canadian government bonds, declining 0.30%. We believe inflation will be well contained by the central banks and the excess savings and low growth environment will add to the strong demand for corporate bonds.

Ridgewood Tactical Yield Fund

For the year ended December 31, 2016

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, 2016. 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, 2016

	% of Net Asset Value		% of Net Asset Value
Corporate Bonds	56.8	Foreign Pay Bonds	15.2
Federal Bonds	11.8	Mortgage Backed Securities	9.2
Canadian REITS	5.2	Cash & Short-term Investments	1.8

Ridgewood Tactical Yield Fund

For the year ended December 31, 2016

Top 25 Holdings

	% of Total Net Asset Value
1. Canadian Government Bond, 2.75%, 2048/12/01	10.2%
2. Mattamy Group Corp., 6.50%, 2020/11/15	7.0%
3. Gateway Casinos & Entertainment Ltd., 8.50%, 2020/11/26	5.1%
4. River Cree Enterprises LP, 11.00%, 2021/01/20	4.9%
5. Bombardier, 8.75%, 2021/12/01	4.9%
6. Mattamy Group 6.875%, 2020/11/15	4.7%
7. TransAlta Corp., 7.30%, 2029/10/22	4.6%
8. TransAlta Corp., 6.90%, 2030/11/15	4.5%
9. DHX Media Ltd., 5.875%, 2021/12/02	4.3%
10. Sobeys Inc., 6.64%, 2040/06/07	4.2%
11. Superior Plus LP, 6.50%, 2021/12/09	3.6%
12. Medavie Inc., 6.00%, 2019/05/21	3.5%
13. Shaw Communications Inc., 6.75%, 2039/11/09	3.1%
14. Northland Power Solar Finance One LP., 4.397%, 2032/06/30	2.5%
15. Merrill Lynch Financial Assets Inc., 5.22%, C22 D, 2017/05/12	2.4%
16. Royal Bank of Scotland Group PLC., 5.125%, 2024/05/28	2.3%
17. Milestone Apartments REIT	2.3%
18. Enbridge Pipelines Inc., 4.55%, 2045/09/29	2.2%
19. Brookfield Asset Management, 5.95%, 2035/06/14	1.9%
20. Teranet Holdings, 5.754%, 2040/12/17	1.8%
21. Slate Retail REIT	1.8%
22. Transalta Corp., 5.00%, 2020/11/25	1.7%
23. Merrill Lynch Financial Assets Inc., 5.726%, C23 D1, 2017/08/12	1.7%
24. Schooner Trust, 5.236%, 2022/06/12	1.7%
25. Brookfield Renewable Power, 6.125%, 2023/05/15	1.7%
Total	88.6%

Results of Operations

For the year ended December 31, 2016, the net asset value of the Fund for was \$9.33 per unit compared to \$9.13 per unit at December 31, 2015.

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 \$0.39 per unit were made to unitholders during the year.

For the year ended December 31, 2016, the Fund had an annual return of 6.58% net of expenses of 1.49% (including HST) while the FTSE/TMX Universe Bond Index had a return of 1.66%. In 2016 corporate bonds returned 3.73%, beating the overall bond index. Corporate BBB, and more specifically Energy and Communication bonds, outperformed returning 5.15% and 6.73% respectively. The portfolio was overweight in these sectors and benefited from this exposure.

Ridgewood Tactical Yield Fund

For the year ended December 31, 2016

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, 2016 and 2015, 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 while 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				
	2016	2015	2014	2012	2011
The fund's net assets per unit					
Net assets value, beginning of year ⁽¹⁾	\$ 9.13	\$ 9.16	\$ 8.78	\$ 9.02	\$ 8.82
Increase (decrease) from operations					
Total revenue	0.51	0.46	0.50	0.53	0.58
Total expenses (excluding distributions)	(0.14)	(0.13)	(0.14)	(0.14)	(0.14)
Realized gain/(loss) for the year	0.03	0.05	0.11	0.05	(0.34)
Unrealized gain/(loss) for the year	0.13	(0.16)	0.26	(0.27)	0.68
Total increase from operations ⁽²⁾	0.53	0.22	0.73	0.17	0.78
Distributions to unitholders					
From net investment income	(0.38)	(0.33)	(0.37)	(0.40)	(0.41)
From return of capital	-	-	-	(0.04)	(0.21)
Total distributions ⁽³⁾	(0.38)	(0.33)	(0.37)	(0.44)	(0.62)
Net assets value, end of year ⁽¹⁾	\$ 9.33	\$ 9.13	\$ 9.16	\$ 8.78	\$ 9.02

(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 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.

	2016	2015	2014	2013	2012
Ratios/supplemental Data					
Net Asset Value, end of year (\$millions) ⁽¹⁾	\$ 59.06	\$ 82.62	\$ 62.30	\$ 52.64	\$ 35.85
Number of units outstanding ⁽¹⁾	6,330,921	9,049,710	6,798,795	5,992,362	3,976,553
Management expense ratio (including HST) ⁽²⁾	1.45%	1.42%	1.45%	1.45%	1.38%
Management expense ratio including expenses absorbed by the Manager	1.45%	1.42%	1.45%	1.45%	1.38%
Portfolio turnover rate ⁽³⁾	314.18%	199.20%	139.14%	85.07%	70.55%
Trading expense ratio	0.04%	0.04%	0.03%	0.07%	0.07%
Net Asset Value per unit, end of year ⁽⁴⁾	\$ 9.33	\$ 9.13	\$ 9.16	\$ 8.78	\$ 9.02

(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, 2016

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 rose modestly in 2016 as the economic recovery gathered momentum and job growth continued to be robust. Commodities firmed up over the year as OPEC agreed to production cuts and industrial metal demand also increased. The U.S. central bank finally began the process of raising interest rates with a quarter point increase in December. They stressed it will be a gradual program, with modest increases over an extended period of time. The bond market has benefited from the widely anticipated moves and the perception that inflation will be well contained over the long term. As government rates stabilize and gradually rise, corporate bonds become an attractive asset class for investors wishing to maintain a higher level of 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.

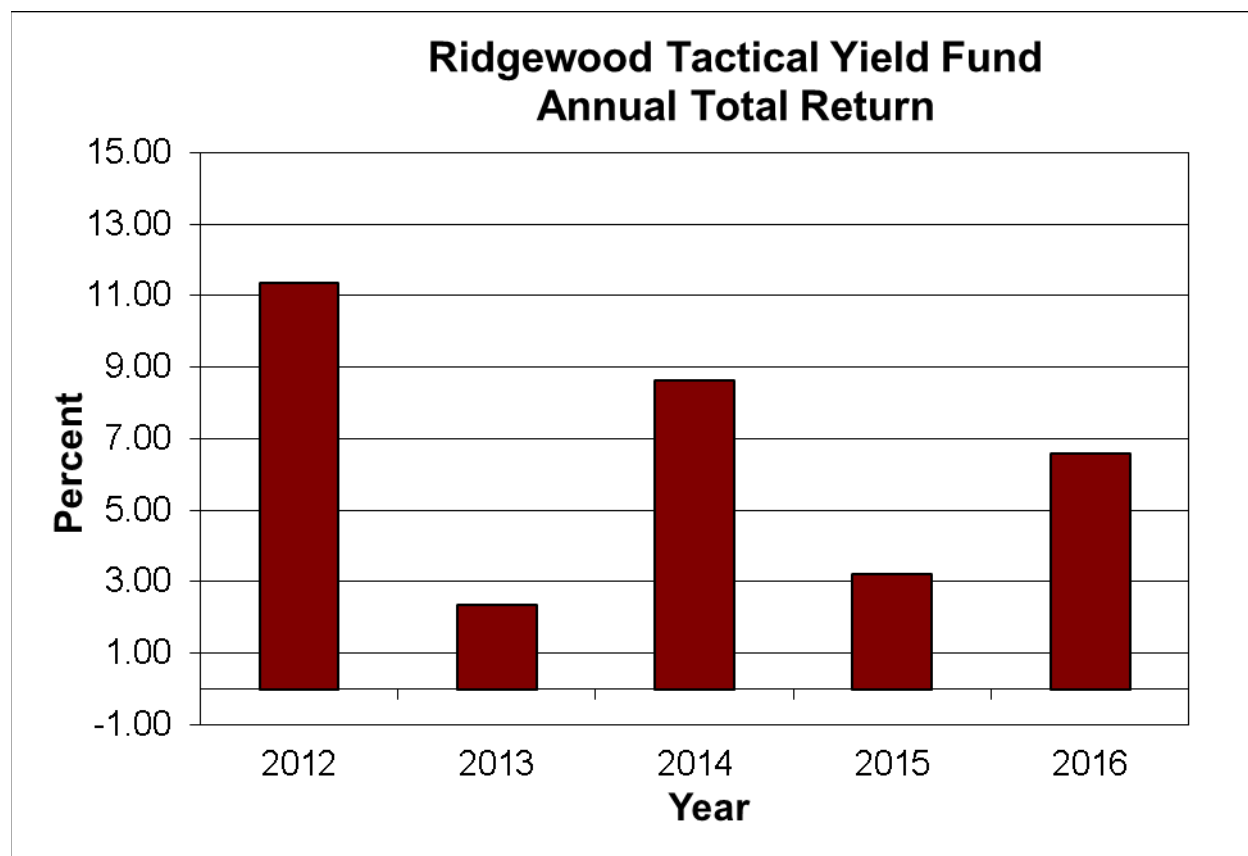
Year-By-Year Returns

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, 2016

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual total return (net of expenses of 1.49% including HST) for the period ended December 31 as compared to the performance of the FTSE TMX Canada Universe Bond Index.

	One Year	Three Years	Five Years	Ten Years
Ridgewood Tactical Yield Fund	6.58%	6.12%	6.38%	
FTSE TMX Canada Universe Bond *	1.66%	4.62%	3.23%	

*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, 2016

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, 2016, 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.

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 17, 2017

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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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 17, 2017

Ridgewood Tactical Yield Fund
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2016 and 2015

	2016	2015
	\$	\$
Assets		
Financial assets at fair value through profit or loss (Cost: 31-Dec-16 - 56,406,689 ; 31-Dec-15 - \$81,019,748)	57,746,126	81,249,775
Short-term investments at fair value (Cost: 31-Dec-16 - \$ 923,854 ; 31-Dec-15 - \$707,742)	923,854	707,742
Cash	80,878	4,747
Accrued interest receivable	466,164	755,530
Dividends receivable	13,839	46,609
Prepaid fees	5,328	8,841
Subscriptions receivable	8,500	42,195
Total Assets	59,244,689	82,815,439
Liabilities		
Current liabilities		
Accrued expenses	150,640	164,025
Redemptions payable	34,800	35,350
Total Liabilities (excluding net assets attributable to holders of redeemable units)	185,440	199,375
Net Assets attributable to holders of redeemable units	59,059,249	82,616,064
Number of Units Outstanding (Note 5)	6,330,921	9,049,710
Net assets attributable to holders of redeemable units per unit	9.3287	9.1291

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, 2016 and 2015

	2016	2015
	\$	\$
Income		
Interest income for distribution purposes	4,288,406	3,349,995
Dividend income	57,085	269,840
Foreign exchange (loss) on cash	(1,146)	(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	265,626	449,084
Net change in unrealized (depreciation) appreciation of investments	1,120,129	(1,250,633)
Total income	5,730,100	2,798,178
Expenses		
Management fees (Note 6 & 7)	874,722	802,721
Administrative and other expenses	43,130	23,982
Custodian fees	60,955	60,807
HST expense	119,916	107,138
Independent Review Committee fees (Note 6)	14,867	14,625
Audit fees	16,485	17,088
Legal fees	10,939	4,948
Withholding Taxes	14,448	6,005
Transaction Costs	28,978	29,160
Total operating expenses	1,184,440	1,066,474
Operating profit	4,545,660	1,731,704
Increase in net assets attributable to holders of redeemable units	4,545,660	1,731,704
Daily average number of units	8,549,342	7,826,221
Increase in net assets attributable to holders of redeemable units per unit	0.5320	0.2213

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, 2016 and 2015

	2016	2015
	\$	\$
Net Assets Attributable to Holders of Redeemable units at beginning of year	82,616,064	62,303,859
Distributions to redeemable unitholders		
From net investment income	(3,224,154)	(2,559,504)
Redeemable Unit Transactions (Note 5)		
Proceeds from units issued	23,881,947	31,144,386
Amount paid for units redeemed	(51,773,284)	(12,404,643)
Reinvestment of distributions	3,013,016	2,400,262
	(24,878,321)	21,140,005
Increase in net assets attributable to holders of redeemable units	4,545,660	1,731,704
Net Assets Attributable to Holders of Redeemable units at end of year	59,059,249	82,616,064

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

	2016	2015
	\$	\$
Cash provided by (used in) operating activities		
Net increase in net assets attributable to holders of redeemable units	4,545,660	1,731,704
Adjustments for		
Interest income on short-term notes	(390)	(5,659)
Foreign exchange gain/loss on cash	435	
Net realized (losses) on investments excluding foreign currency	(265,626)	(449,084)
Net change in unrealized appreciation (depreciation) on investments	(1,120,129)	1,250,633
Purchase of investments	(301,437,420)	(226,314,297)
Proceeds from sale of investments	326,082,124	205,359,157
Transaction costs	28,978	29,160
Increase (Decrease) in accrued interest and dividends receivable	322,136	(293,479)
(Decrease) in prepaid fees	3,513	(4,209)
(Decrease) increase in accrued expenses	(13,385)	19,829
Net cash (used in) in operating activities	28,145,896	(18,676,245)
Cash provided by (used in) financing activities		
Subscriptions (paid) received in advance	33,695	78,805
Redemptions payable (paid) in advance	(550)	(109,420)
Distributions paid to holders of redeemable units, net of reinvested distributions	(211,138)	(159,242)
Proceeds from units issued	23,881,947	31,144,386
Payment for redemption of shares	(51,773,284)	(12,404,643)
Net cash (used) provided by financing activities	(28,069,330)	18,549,886
(Decrease) in cash	76,566	(126,359)
Foreign exchange gain/loss on cash	(435)	
Cash, beginning of year	4,747	131,106
Cash (overdraft), end of year	80,879	4,747
Interest received	4,577,772	3,052,397
Dividends received, net of withholding taxes	75,407	267,954

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

Ridgewood Tactical Yield Fund
Schedule of investments

As at December 31, 2016

Par Value	Average Cost	Fair Value	% of Portfolio
	\$	\$	
Short-term Investments			
Treasury Bills			
925000 Canadian Treasury Bill, 0.517%, April 6, 2017	923,854	923,854	1.57%
Investments			
Federal Bonds			
1000000 Canadian Government Bond, 1.500%, June 1, 2026	975,100	981,300	
5450000 Canadian Government Bond, 2.750%, December 1, 2048	6,081,209	5,988,499	
Total Federal Bonds	7,056,309	6,969,799	11.80%
Corporate Bonds			
500000 Bank of America Corp., 6.250%, December 31, 2049	544,750	671,367	
2000000 Bombardier Inc., 8.750%, December 1, 2021	2,678,571	2,853,101	
1000000 Brookfield Asset Management Inc., 5.950%, June 14, 2035	1,101,500	1,098,955	
1000000 Brookfield Residential Properties Inc., 6.125%, May 15, 2023	1,000,000	1,006,125	
2500000 DHX Media Ltd., 5.875%, December 02, 2021	2,479,911	2,513,542	
1250000 Enbridge Pipelines Inc., 4.550%, September 29, 2045	1,242,300	1,300,416	
3000000 Gateway Casinos & Entertainment Ltd., 8.500%, November 26, 2020	2,897,813	2,976,250	
1000000 Golf Town Canada Inc , 10.500%, July 24, 2018	1,008,438	450,169	
3000000 Mattamy Group Corp., 6.500%, November 15, 2020	3,856,472	4,103,637	
2750000 Mattamy Group Corp., 6.875%, November 15, 2020	2,588,945	2,787,239	
2000000 Medavie Inc., 6.000%, May 21, 2024	2,028,000	2,040,000	
1391554 Northland Power Solar Finance One LP, 4.397%, June 30, 2032	1,391,749	1,458,014	
1000000 Pembina Pipeline Corp., 4.810%, March 25, 2044	1,039,290	996,460	
3000000 River Cree Enterprises LP, 11.000%, January 20, 2021	2,994,385	2,900,625	
1000000 Royal Bank of Scotland Group PLC, 5.125%, May 28, 2024	1,077,751	1,339,180	
1500000 Shaw Communications Inc., 6.750%, November 09, 2039	1,850,100	1,797,946	
2500000 Sobeys Inc., 6.640%, June 07, 2040	2,850,659	2,462,238	
2000000 Superior Plus LP, 6.500%, December 09, 2021	2,000,000	2,090,000	
1000000 Teranet Holdings LP, 5.754%, December 17, 2040	1,089,900	1,073,889	
1000000 TransAlta Corp., 5.000%, November 25, 2020	987,925	1,028,578	
2692000 TransAlta Corp., 7.300%, October 22, 2029	2,435,100	2,703,051	
2700000 TransAlta Corp., 6.900%, November 15, 2030	2,508,150	2,668,642	
Total Corporate Bonds	41,651,709	42,319,424	71.65%
Equities			
70000 Milestone Apartments Real Estate Investment Trust	1,261,142	1,330,000	
120000 Pure Industrial Real Estate Trust	622,954	670,800	
70888 Slate Retail REIT	972,855	1,066,864	
Total Equities	2,856,951	3,067,664	5.19%
Mortgage Backed Securities			
1000000 Institutional Mortgage Securities Canada Inc., 4.664%, July 12, 2045	897,500	960,139	
1000000 Merrill Lynch Financial Assets Inc., 5.192%, January 12, 2040	929,550	1,000,000	
1000000 Merrill Lynch Financial Assets Inc., 5.726%, May 12, 2044	946,300	1,012,500	
1400000 Merrill Lynch Financial Assets Inc., 5.220%, March 12, 2049	1,101,600	1,408,400	
1000000 Schooner Trust, 5.236%, June 12, 2022	966,770	1,008,200	
Total Mortgage Backed Securities	4,841,720	5,389,239	9.13%
Investments	56,406,689	57,746,126	99.34%
Transaction costs	(7,403)	-	
Total Investments and short-term investments	56,399,286	57,746,126	99.34%
Cash and other assets, net of liabilities		389,269	0.66%
Net Assets		59,059,249	100.00%

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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

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 17, 2017

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, 2016

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.

Amendments to IAS1 disclosure requirements

The Fund has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the Fund’s financial position and financial performance.

Regarding the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or the financial position of the Fund.

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. 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

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

4. Summary of significant accounting policies (continued)

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.

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.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

4. Summary of significant accounting policies (continued)

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.

- 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.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

5. Redeemable Units (continued)

Following are the unit transactions during the years from January 1 to December 31, 2016 and January 1 to December 31, 2015:

	2016	2015
Units outstanding, beginning of year	9,049,710	6,798,795
Units issued for cash	2,604,807	3,336,396
Units redeemed	(5,651,170)	(1,342,950)
Units issued on reinvestment of distributions	327,574	257,469
Units outstanding, end of year	6,330,921	9,049,710

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. 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, 2016 amounted to \$874,722 (December 31, 2015 - \$802,721). See Note 7 for further detail

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2016 was \$ 14,867 (December 31, 2015 - \$14,625).

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, 2016

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, 2016, capital losses of \$855,140 (2015 - \$906,147) 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, 2016							
	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	80,878	-	923,854	450,169	21,252,971	32,975,321	3,067,664	58,750,858
	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

At December 31, 2016, should interest rates have decreased by 100 basis points with all other variables remaining constant, the increase in net assets attributable to holders of redeemable units for the period would amount to approximately \$4.4 million (December 31, 2015 - \$6.0 million) arising substantially from the increase in market values of debt securities, with a small portion affecting interest rate futures. Conversely, if interest rates had risen by 100 basis points, the decrease in net assets attributable to holders of redeemable units would amount to approximately \$4.4 million (December 31, 2015 - \$6.0 million).

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

10. Financial instruments and risk management (continued)

Credit Risk

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

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

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

Portfolio by rating category

Rating	December 31, 2016
	As a % of Net Assets
AAA/Aaa	13.37%
A/A	1.86%
BBB/Baa	31.18%
BB/Ba	27.04%
B/B	11.57%
CC/Ca	4.91%
Unrated	4.22%
Total	94.15%

Rating	December 31, 2015
	As a % of Net Assets
AAA/Aaa	8.21%
AA/Aa	0.00%
A/A	2.58%
BBB/Baa	49.42%
BB/Ba	19.87%
B/B	7.12%
CCC/Caa	0.90%
Unrated	2.49%
Total	90.58%

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, 2016, the Fund held \$9,055,613 (December 31, 2015 - \$10,154,967) in assets and liabilities denominated in currencies other than the Canadian dollar. As at December 31, 2016, 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 \$452,781 (December 31, 2015 - \$507,748).

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

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 \$0.9 million (December 2015, \$0.7 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, 2016					
Financial Liabilities	On Demand		< 3 Months		Total
Redemptions payable	\$	-	\$	34,800	\$ 34,800
Accrued expenses		-		150,640	150,640
Net Assets attributable to holders of redeemable units		59,059,249		-	59,059,249
Total liabilities	\$	59,059,249	\$	185,440	\$ 59,244,689

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

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, 2016	December 31, 2015
Canadian Short Term Investments	1.56%	0.86%
Federal Bonds	11.80%	7.36%
Corporate Bonds	71.65%	75.67%
Mortgage Backed Securities	9.13%	6.69%
Equities	5.19%	8.62%
Total	99.33%	99.20%

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, 2016 and 2015.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

11. Financial Instruments – Disclosures

Fair Value Disclosure

Financial assets at fair value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	80,878	-	-	80,878
Short Term Investments	-	923,854	-	923,854
Bonds	-	49,289,223	-	49,289,223
Mortgage Backed Securities (MBS)	-	5,389,239	-	5,389,239
Equities	3,067,664	-	-	3,067,664
	3,148,542	55,602,316	-	58,750,859

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
	7,129,257	74,833,007	-	81,962,264

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, 2016 and 2015.

In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2016 and 2015.

12. Financial instruments by category

The following tables present the carrying amounts of the Fund's financial instruments by category.

Financial Instruments by category as of December 31, 2016			
	Financial assets at FVTPL		Total
Assets	HFT	Designated at inception	\$
Non-derivative financial assets	-	57,746,126	57,746,126
Total	-	57,746,126	57,746,126

Financial Instruments by category as of December 31, 2015			
	Financial assets at FVTPL		Total
Assets	HFT	Designated at inception	\$
Non-derivative financial assets	-	81,249,775	81,249,775
Total	-	81,249,775	81,249,775

The Funds financial instruments as at December 31, 2016 and December 31, 2015 are designated as FVTPL.

The Fund's net gains (losses) on financial instruments for the years ended December 31, 2016 and 2015 were all from financial instruments designated as FVTPL.

Ridgewood Tactical Yield Fund

Notes to the Financial Statements

December 31, 2016

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.

Mutual Funds
Managed by Ridgewood Capital Asset Management Inc.

Ridgewood Canadian *Bond Fund*

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