



## MANAGEMENT REPORT OF FUND PERFORMANCE

JUNE 30, 2013

## **THE RAVENSOURCE FUND**

*This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the investment fund. You can get a copy of the semi-annual financial statements at your request, and at no cost, by calling 416 250 2845, by writing to us at Stornoway Portfolio Management Inc, 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1, by visiting our website at [www.ravensource.ca](http://www.ravensource.ca), or the SEDAR website at [www.sedar.com](http://www.sedar.com).*

*Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*

### **A Note on Forward/Looking Statements**

*This document may contain forward/looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward/looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may", "will", "should", "could", "expect", "anticipate", "intend", "plan", "believe", or "estimate" or other similar expressions. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward/looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward/looking statements. These factors could include, among others, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the fund may invest, and the risks detailed from time to time in the fund's simplified prospectus. Forward/looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward/looking statements and should be aware that the Fund may not update any forward/looking statements whether as a result of new information, future events or otherwise.*

## **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

### **THE FUND**

The Ravensource Fund ("Ravensource" or "Fund") is a closed-end mutual fund trust, the units of which trade on the TSX under the symbol RAV.UN. By way of a special meeting of unitholders, Stornoway Portfolio Management Inc. ("SPM" or "Investment Manager") was appointed the Investment Manager to the Ravensource Fund effective July 1, 2008. SPM's responsibilities for Ravensource include the evaluation, selection and negotiation of investments, the ongoing monitoring and evaluation of such investments and the recommendation of the appropriate timing and structure for disposition of such investments.

### **INVESTMENT OBJECTIVE AND STRATEGIES**

The principal objective of Ravensource is to achieve absolute long-term returns, with an emphasis on capital gains, through investments in selected North American debt instruments, creditor claims and equity securities. The investment objectives of the Fund are stated in detail in the Declaration of Trust and in greater detail on the Fund's website.

To achieve its investment objectives, Ravensource's investments fall primarily in three strategies:

1. *High Yielding Securities*: investing in corporate debt, income fund units, or other securities that produce a sustainable high level of income for the underlying credit risk.
2. *Distressed Securities*: investing in corporate debt, creditor claims and/or equity securities of companies which are in, or perceived to be in, financial distress at a price materially different from what we believe to be the underlying fundamental value of the securities.
3. *Special Situations Equities*: investing primarily in Canadian and U.S. small- and mid-cap equities that have been identified as not only attractively valued but also with the catalysts to unlock value.

## **RISK**

Risks associated with an investment in the units of Ravensource are discussed in the Annual Information Form and in the notes attached to the financial statements which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Ravensource website at [www.ravensource.ca](http://www.ravensource.ca). There has not been a change in the Fund's stated investment strategy or other changes that would materially affect the risk of investing in Ravensource during the six months ended June 30, 2013. The Fund continues to be suitable for those investors seeking long-term capital growth, have a long term investment horizon and possess a medium to high risk tolerance to withstand the ups and downs that go along with investing in out-of-favor securities.

## **LEVERAGE**

The Fund's total indebtedness cannot exceed 30% of the total assets of the Fund. Unsettled securities transactions are not considered borrowings for purposes of the limitation on the use of indebtedness calculations. During the first half of 2013, the Fund did not employ any leverage.

## **RESULTS OF OPERATIONS FROM JANUARY 1, 2013 TO JUNE 30, 2013**

Ravensource's net assets increased by \$1.65 million or 9.0% over the first half of 2013 as gains in the market value of Fund's investments were partly offset by distributions to unitholders. In the first half of 2012, Ravensource's net assets increased \$1.48 million by or 8.9%.

### **Investment Performance**

Ravensource Fund's net asset value per unit ("NAV") increased by \$1.06 / 9.82% including distributions and after all fees and expenses over the first half of 2013 due to the strong performance of its investment portfolio. Ravensource's performance for the first six months of 2013 compares favourably against all of the benchmarks the Investment Manager utilizes to measure the Fund's relative performance: a 0.9% decline in the S&P TSX Composite Total Return Index, a 6.8% decline in the S&P/TSX Small Cap Total Return Index, a 1.5% increase in the B of A ML High Yield Master II Index and a 8.0% increase in the Credit Suisse Distressed Index. As a reference, Ravensource's NAV per unit increased by \$0.96 / 9.83% over the first half of 2012. All index and fund returns are calculated on a total return basis.

This period's 9.82% net return somewhat downplays the performance of the underlying investments. With over 25% of the Fund's net assets being held in cash that is effectively earning a zero return, the investment portfolio had to earn over 17% to cover the fees and expenses and to generate this result. As such, in an otherwise sanguine investment environment as evidenced by the lacklustre returns for the general market, Ravensource's investment results outperformed far greater than appears on the surface.

Ravensource's results were bolstered by its position in Specialty Foods Group warrants as the hot dog maker continues to generate significant free cash flow from its operations thereby creating value for its investors. The Fund's investments in Genworth Financial (GNW:NYSE), Tuckamore Capital (TX:TSX), Fiera Sceptre (FSZ:TSX), Jovian Capital (JOV:TSX) and CML Healthcare (CLC:TSX) also contributed significantly while investments in Connacher Oil & Gas (CLL:TSX), Plazacorp Retail Properties (PLZ:TSX) and Great Basin Gold (GBG:TSX) detracted from this period's performance.

Amongst the three investment strategies that Ravensource employs, the Distressed Securities strategy especially outperformed this period by contributing approximately half of the total results despite only representing 35% of the investment portfolio. With investors continuing to clamour for yield causing the prices of income securities to rise, the Investment Manager has not uncovered attractive investments that fall into the High Yielding Securities strategy. This period's zero weighting in the High Yield Securities strategy is down from 11.8% of the investment portfolio as of June 30, 2012.

## **Distributions**

RavenSource Fund's distribution policy is to make semi-annual distributions to unitholders sufficient to ensure that it does not incur any tax liability and to provide a reasonable yield for investors. During the first 6 months of 2013, the Fund made a semi-annual distribution of \$0.09 per unit that was paid on June 28, 2013, equal to the amount declared for the 6 months ended June 30, 2012. In keeping with RavenSource's distribution policy, the Fund will make a further distribution in December 2013 in an amount sufficient to maintain the Fund's non-taxable status.

## **Redemptions**

RavenSource offers an annual redemption privilege that allows unitholders to redeem 100% of their units for cash at a price equal to the Net Asset Value – adjusted to reflect expenses incurred to affect the redemption – as calculated as of the Annual Redemption Date. For further details, please refer to the Declaration of Trust which can be found in the "Key Documents" section of the RavenSource Website at [www.ravenSourcefund.ca](http://www.ravenSourcefund.ca) and on the SEDAR website at [www.sedar.com](http://www.sedar.com). There were no redemptions in the first half of 2013 or the first half of 2012 as the Annual Redemption date falls in the second half of the year. On August 2, 2013, notice was received that a total of 76,700 units representing 4.5% of the total units outstanding were submitted for redemption under the 2013 annual redemption privilege. The Investment Manager is investigating the potential resale of these units to interested investors in accordance with the terms of the Fund's Declaration of Trust as was successfully executed in the past.

## **Liquidity**

Starting the year with 30.5% of the Fund's net assets in cash, gains in the value of its investments along with the impact of the June 2013 distribution resulted in a fall in the cash position to 25.8% of net assets as of June 30, 2013. While at historically high levels, the Investment Manager is uncovering attractive opportunities that merit investment.

## **Fees and Expenses**

RavenSource's expenses consist of Investment Manager fees, Trustee & Transfer Agent fees and expenses, TSX listing fees, taxes (including but not limited to GST/HST), interest and borrowing costs, accounting and audit expenses, the Independent Review Committee ("IRC") expenses, legal and professional expenses.

The annualized Management Expense Ratio ("MER") measures the amount of annual fund expenses expressed as ratio to average net assets. To understand the way we report RavenSource's interim MER, we must first explain our methodology. We believe that it is appropriate to annualize operating expenses that one can reasonably expect to be re-occurring. However, incentive fees are different than other fund expenses as they are conditional and only actually incurred / paid at the end of the year if the annual investment performance of the Fund exceeds the 5% hurdle rate along with meeting other conditions. As such, it is a leap too far to assume that the investment portfolio will continue to grow at the same pace as it has in the first half of the year which annualizing the incentive fee would imply. Secondly, if investment performance falls in the second half of the year, the incentive fee for the year will also decrease. In contrast, accountants, auditors, lawyers and other sources of fee expenses will demand full payment regardless of whether the Fund performs well or not. Considering the above issues, we believe the appropriate way to incorporate the incentive fee is to report the MER on both a pre and post incentive fee basis and not to annualize the incentive fee for interim periods.

For the six months ended June 30, 2013, RavenSource's MER, excluding the incentive fee was 1.71%, a decrease of 103 basis points over the June 30, 2012 MER before incentive fee of 2.74%. The decrease in the MER for the first 6 months of 2013 is a result of a decrease in legal fees and a partial waiver of Management and Administration Fees charged by the Investment Manager.

Legal and accounting fees decreased Ravensource's MER by 42 basis points in the 6 months ended June 30, 2013 versus the six months ended June 30, 2012. Ravensource incurs professional expenses, largely arising from services provided by legal and restructuring professionals in the negotiation and/or protection of its investments. In the first half of 2013 professional fees are running significantly lower than in 2012, although Ravensource continued to incur significant expenses on its Crystallex investment in the first half of 2013.

Management and Administrative Fees declined significantly over the first 6 months of 2013 to 0.57% of average net assets, versus 1.21% for the 6 months ended June 30, 2012. The decline is due to SPM's policy to pass on the economic benefit of fees earned under the SFG Services Agreement by reducing the Management and Administrative Fees charged to the Fund. The SFG Services Agreement was not entered into until the second half of 2012. See Related Party Transactions for more information.

The Incentive Fee accrued for the 6 months ended June 30, 2013 was \$393,789 or 2.05% of average net assets, versus an incentive fee of \$4,454 or 0.03% for the first half of 2012. While the Fund produced similar investment performance in 2012, the incentive fee in 2012 was depressed due to the requirement to make up for the losses that the Fund experienced in 2008.

Factoring in the impact of the incentive fee, Ravensource's MER for the first half of 2013 was 3.76% versus 2.76% for the same period in 2012. The 100 basis point increase in the MER is due to a 203 basis point increase in the incentive fee partially offset by the above-mentioned decreases in management, administration, and legal/professional fees.

## **RECENT DEVELOPMENTS**

### **International Financial Reporting Standards**

The Canadian Accounting Standards Board (AcSB) requires investment funds to adopt International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Boards for financial years beginning January 1, 2014. Accordingly, the Fund will issue its initial financial statements in accordance with IFRS commencing with the interim period ending June 30, 2014. While there will be some differences between the Fund's current accounting policies and those expected to apply under IFRS, these differences primarily relate to the presentation of and disclosures in the financial statements. After reviewing the impact of IFRS, the Manager has not identified any changes that will have a material impact on Ravensource's NAV.

### **Harmonized Sales Tax ("HST")**

During the first half of 2013, three provinces – Quebec, Prince Edward Island, and British Columbia – made significant changes to their sales taxes. Both Quebec and Prince Edward Island harmonized their provincial sales tax systems with the federal GST, on January 1, 2013, and April 1, 2013, respectively. On April 1, 2013, British Columbia replaced the HST with the federal GST and its provincial sales tax. These changes did not have a material effect on the Fund's total expenses or MER.

## **RELATED PARTY TRANSACTIONS**

### **SFG Services Agreement**

Ravensource has an investment in warrants on SFG Parent Inc. ("SFG") common shares. Additionally, another fund managed by SPM holds similar investments in SFG. During 2012, SPM entered into a services agreement with SFG (the "SFG Services Agreement") whereby SPM is to provide strategic advice and analysis to SFG and in return will earn a fee for these services. As per its internal policy and approved by the Fund's IRC, SPM reduced the management fees and administrative fees that it charges to the Fund in order to pass along the economic benefit of the fees earned. During the first 6 months of 2013, SPM reduced management fees by \$34,620 and reduced administrative fees by \$18,642. SPM will continue to reduce the management fee and administrative fees accordingly for so long as Ravensource is invested in SFG securities and SPM continues to receive fees from the SFG Services Agreement.

## Investment Manager Compensation

The Investment Manager receives compensation for performing various responsibilities and services to Ravensource Fund. The total compensation accrues from various components: Management Fee, Administration Fee, Investor Relations Fee and the Incentive Fee. The aggregate fees accrued for the period ended June 30, 2013 amounted to \$448,739 (2012 - \$114,761). The breakdown of the fees is as follows:

### i. Management Fee

The Management Fee payable to the Investment Manager is based on the Fund's average weekly net assets at the end of each week and payable on the last business day of each calendar month as follows:

Average weekly net assets	Management Fee
Up to and including \$250 million	0.65% of net asset value plus HST
Between \$250 million and \$500 million	0.60% of net asset value plus HST
\$500 million and more	0.55% of net asset value plus HST

The Management Fee for the 6 months ended June 30, 2013 amounted to \$31,347 (June 30, 2012 - \$66,714). The Investment Manager reduced the Management Fee by \$34,620 (June 30, 2013 - nil) due to the SFG Services Agreement. In the absence of the Management Fee reduction, the total Management Fee would have amounted to approximately \$70,468 (inclusive of HST).

### ii. Administrative Fee

Subject to the supervision of the Trustee, the Investment Manager agrees to be responsible for and provide certain administrative services to the Fund. The Fund will pay the Investment Manager a fee based on the Fund's average weekly net assets at the end of each week and payable on the last business day of each calendar month as follows:

Average weekly net assets	Administrative Fee
Up to and including \$250 million	0.35% of net asset value plus HST
Between \$250 million and \$500 million	0.30% of net asset value plus HST
\$500 million and more	0.25% of net asset value plus HST

The Administrative Fee for the 6 months ended June 30, 2013 amounted to \$16,879 (June 30, 2012 - \$35,923). The Investment Manager reduced the Administrative Fee by \$18,642 (June 30, 2013 - nil) due to the SFG Services Agreement. In the absence of the Administrative Fee reduction, the total Administrative Fee would have amounted to approximately \$37,944 (inclusive of HST).

### iii. Investor Relations Fee

The Investment Manager is paid a monthly Investor Relations Fee of \$1,000 plus applicable sales tax for unitholder reporting and other services provided under a service agreement. The aggregate Investor Relations Fee for the period ended June 30, 2013 amounted to \$6,724 (June 30, 2012 - \$7,670).

### iv. Incentive Fee

Investment Manager will earn the Incentive Fee equal to 20% of the amount by which the net asset value per unit at the end of the year, adjusted for contributions, distributions, and redemptions during the year, exceeds the net asset value per unit at the beginning of the year by more than 5%, plus any shortfalls from prior years. This fee is accrued monthly but calculated and paid annually. The Incentive Fee accrued for the first 6 months of 2013 amounted to \$393,789 (June 30, 2012 - \$4,454).

## FINANCIAL HIGHLIGHTS

### For the 6 months ended June 30, 2013 and years ended December 31, 2008 to December 31, 2012

The following tables show selected key financial information about the Fund that are intended to help you understand the Fund's financial performance for the past 5 years.

The Fund's Net Assets per Unit (\$) <sup>(1)</sup>	YTD 2013	2012	2011	2010	2009	2008
<b>Net Assets, beginning of year</b>	10.79	9.74	10.45	8.01	5.63	9.46
<b>Increase (decrease) from operations:</b>						
Total revenue	0.17	0.62	0.50	0.36	0.36	0.41
Total expenses	0.33	0.32	0.21	0.29	0.16	0.15
Realized gains (losses) for the period	0.46	1.29	0.36	1.19	0.20	0.08
Unrealized gains (losses) for the period	0.75	(0.09)	(0.94)	1.36	2.14	(4.06)
<b>Total increase (decrease) from operations</b> <sup>(2)</sup>	1.06	1.50	(0.29)	2.62	2.55	(3.72)
<b>Distributions:</b>						
From income (excluding dividends)	0.09	-	0.16	-	-	-
From dividends	-	0.34	0.14	0.04	0.03	-
From capital gains	-	-	-	-	-	-
Return of capital	-	0.11	0.06	0.14	0.15	0.09
<b>Total Distributions</b> <sup>(3)</sup>	0.09	0.45	0.36	0.18	0.18	0.09
<b>Issuance of units</b> <sup>(4)</sup>			0.15			
<b>Net assets, End of Period</b> <sup>(5)</sup>	11.76	10.79	9.74	10.45	8.01	5.63

(1) This information is derived from the Fund's audited annual financial statements and unaudited June 30, 2013 financial statements.

The net assets per unit presented in the financial statements may differ from the net asset value calculated for fund pricing purposes.

An explanation of these differences can be found in the notes to the financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time.

The increase/decrease from operations is based on the weighted average number of units outstanding.

(3) Distributions were paid in cash. Final characterization of the YTD 2013 distribution will be determined at the end of 2013.

(4) Represents the negative impact on NAV per units from the issuance of units at a discount plus associated expenses.

(5) This information is provided as at December 31 of the year shown except for 2013 which is as of June 30, 2013

Ratios and Supplemental Data	YTD 2013	2012	2011	2010	2009	2008
Total net asset value (000's) <sup>(1)</sup>	\$19,994	\$18,058	\$16,581	\$14,884	\$11,402	\$8,021
Number of units outstanding <sup>(1)</sup>	1,700,470	1,701,870	1,701,870	1,424,016	1,424,016	1,424,016
Management expense ratio <sup>(2)</sup>	3.76%	3.08%	2.17%	3.15%	2.27%	2.05%
Trading expense ratio <sup>(3)</sup>	0.03%	0.13%	0.07%	0.30%	0.17%	0.20%
Portfolio turnover rate <sup>(4)</sup>	11.90%	28.97%	18.45%	37.02%	32.57%	28.45%
Net asset value per unit	\$11.76	\$10.79	\$9.74	\$10.45	\$8.01	\$5.63
Closing market price <sup>(5)</sup>	\$11.07	\$10.50	\$10.00	\$10.25	\$7.05	\$5.00

(1) This information is provided as at December 31 except for 2013 which is as of June 30, 2013.

(2) Management expense ratio is based on total expenses (excluding commissions and transaction costs) for the stated period.

MER is expressed as a percentage of monthly average net asset value. YTD 2013 expenses have been annualized except for the accrued incentive fee.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how frequently the Fund's Investment Manager executes transactions. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in the portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the fund.

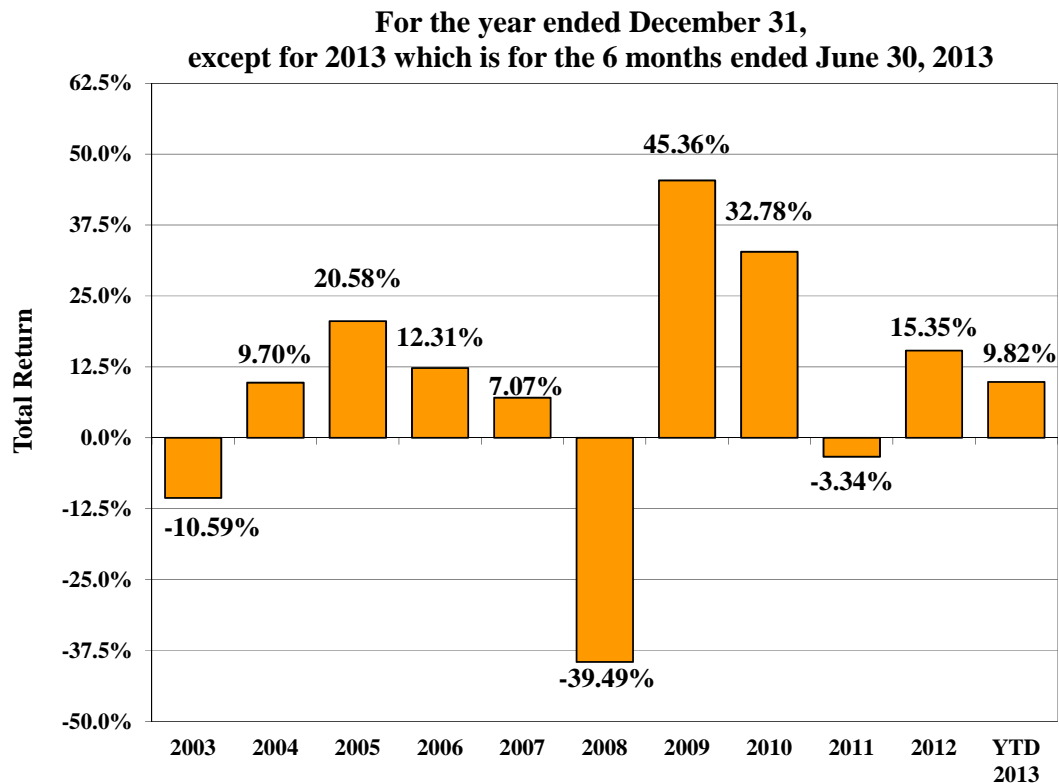
(5) The Closing market price refers to the last bid for a given period end.

## PAST PERFORMANCE

The following performance information is based on the net asset value of the Fund, after all fees and expenses. Past performance is not indicative of future performance. In addition, Stornoway Portfolio Management Inc. assumed its duties as Investment Manager to Ravensource Fund effective July 1, 2008.

### YEAR-BY-YEAR RETURNS

The following bar chart shows the performance of the Fund for each of the financial years shown. The charts show how an investment in the Fund made on the first day of each financial year would have increased or decreased, in percentage terms, by the last day of each financial period.





## ANNUAL COMPOUND RETURNS

The table below compares the historical annual compound returns of the Fund to the S&P/TSX Composite Total Return Index (“S&P/TSX”), the S&P/TSX Small Cap Total Return Index, the BofA ML High Yield Master II Index and the Credit Suisse Distressed Index (the “Benchmark Indices”). It should be noted that the returns for the Benchmark Indices are calculated without the deduction of fees / expenses, whereas the performance of Ravensource is calculated after deducting fees / expenses. The Ravensource Fund returns assume that all distributions made by the Fund are reinvested by purchasing additional units of the Fund at a price equal to the prevailing NAV per unit, consistent with the return calculations for the Benchmark Indices. All returns are annualized returns, except Year to Date (“YTD”) returns, which have not been annualized.

### Benchmark Indices

The Benchmark Indices are comprised of widely-known, broad-based indices which have been selected for purposes of comparing the performance of the Fund and individually relate to the Fund’s three various investment strategies: High Yielding Securities; Distressed Securities; and Special Situations Equities. The Fund's performance may or may not correlate to any of these indices and should not be considered as a proxy for any of these indices. The S&P/TSX Composite Total Return Index is the headline index for shares of companies listed on the Toronto Stock Exchange (“TSX”) and the principal broad market measure for the Canadian equity markets. The S&P/TSX Small Cap Total Return Index is comprised of a representative sample of investable Canadian smaller-sized companies listed on the TSX. Companies included in the S&P/TSX Small Cap Total Return Index must have a market capitalization greater than or equal to \$100 million and less than or equal to \$1.5 billion. The BofA ML High Yield Master II Index tracks the performance of U.S. dollar denominated, high yield / below investment grade rated corporate debt and is a common benchmark used by investors in high yield securities. The Credit Suisse Distressed Index tracks the performance of funds whose mandate is to invest in distressed securities.

	YTD	1 Year	3 Years	5 Years	10 Years	Since <sup>(2)</sup> July 2008
<b>Ravensource Fund - RAV.UN<sup>(1)</sup></b>	<b>9.8%</b>	<b>15.6%</b>	<b>12.6%</b>	<b>9.8%</b>	<b>8.5%</b>	<b>9.8%</b>
S&P/TSX Composite Total Return Index	-0.9%	7.9%	5.4%	-0.5%	8.4%	-0.5%
S&P/TSX Small Cap Total Return Index	-6.8%	-1.0%	0.9%	-1.8%	4.6%	-1.8%
BofA ML High Yield Master II Index	1.5%	9.6%	10.4%	10.6%	8.7%	10.6%
Credit Suisse Distressed Index	8.0%	15.5%	7.4%	4.4%	8.1%	4.4%

(1) Based on net asset value per Unit, assuming all distributions are reinvested in Units at net asset value.

(2) Stornoway Portfolio Management was appointed as Manager of the Ravensource Fund effective July 1, 2008.

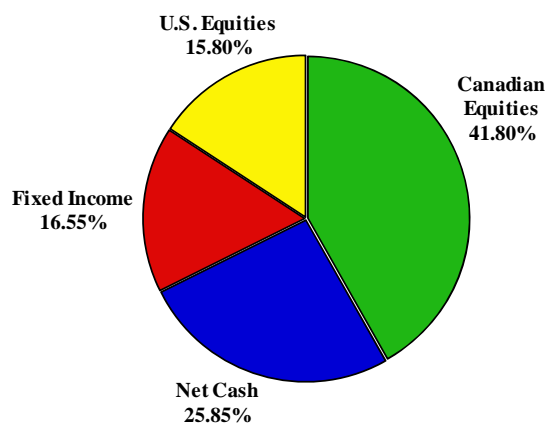
## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2013

By Industrial Group	% of Portfolio
Financial	22.4%
Food Products	16.5%
Conglomerate	15.8%
Metals & Mining	9.6%
Energy	7.7%
Paper & Packaging	7.7%
Real Estate	7.2%
Media & Publishing	3.9%
Healthcare	3.6%
Industrials	2.2%
Construction	1.3%
Retail	1.3%
Other	0.9%
<b>Total</b>	<b>100%</b>

By Geography	% of Portfolio
Canada	78.5%
United States	21.5%
Other	0.0%
<b>Total</b>	<b>100%</b>

### By Security Type - % of Net Assets



Top 25 Holdings	% of Net Assets
Net Cash*	25.81%
Specialty Foods Group - Equity Warrants	9.27%
Tuckamore Capital 8% due Mar 23/16	8.56%
Jovian Capital	7.75%
Crystallex International 9.375% Dec '11	5.92%
PlazaCorp Retail Properties Ltd.	5.31%
Genworth Financial	4.50%
Winpak Ltd.	4.04%
Clairvest Group Inc.	3.16%
CML Healthcare Inc.	2.64%
Fiera Capital Corp	2.29%
Ten Peaks Coffee	2.13%
Nuvista Energy Ltd	2.07%
Canaccord Financial Inc.	2.02%
Quad Graphics	1.67%
Supremex Inc	1.66%
GLV Inc	1.60%
Chinook Energy Inc.	1.27%
Melior Resources Inc.	1.17%
Glacier Media Inc	1.14%
Ivanhoe Energy - 5.75% due Jun 2016	1.05%
Canwel Holdings Corporation	0.99%
Indigo Books & Music Inc.	0.99%
Connacher Oil & Gas 8.75% due Aug '18	0.84%
Village Farms International	0.81%
<b>Total % of Net Assets</b>	<b>98.66%</b>

By Investment Strategy	% of Investment Portfolio	
	Jun-13	Dec-12
Special Situation Equities	64.9%	77.6%
Distressed Securities	35.1%	20.5%
High Yielding Securities	0.0%	1.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## **ADDITIONAL INFORMATION**

### **RavenSource Independent Review Committee (“IRC”)**

To adhere to National Instrument 81-107 and to provide an arms-length vehicle to deal with matters that involve potential conflicts of interest between the Fund and the Investment Manager, RavenSource established and maintains an Independent Review Committee (“IRC”). The role, composition and responsibilities of the IRC can be summarized as follows:

- size of the IRC is 3 members that are independent from the Investment Manager with no material relationships to the Investment Manager;
- its mandate is to consider and provide impartial judgment on any conflict of interest referred to it by the Investment Manager;
- when a conflict of interest arises, the IRC will review and recommend to the Investment Manager what action it should take to achieve a fair and reasonable result for RavenSource;
- report to the relevant securities regulators any instance where the Investment Manager acted in a conflict of interest matter in such a way that did not comply with conditions imposed by securities legislation or the IRC;
- meet at least annually with at least one of the meetings to be held “in camera”;
- for each calendar year, the IRC must prepare a report to the RavenSource Fund that describes the IRC and its activities for the fiscal year. This report is posted on the Fund’s website @ [www.ravenSource.ca](http://www.ravenSource.ca)

The IRC is comprised of Michael Siskind (Chairman), David Magahey, and Michael Gardiner. All members of the IRC are independent within the meaning of National Instrument 81-107. Each member of the IRC earns compensation in the form of an annual fee plus meeting fees in the event that there are meetings required in addition to the annual meeting of the IRC.

### **Access to Information**

We continue to meet the requirements of National Instrument 81-106 and publish RavenSource’s 25 largest holdings quarterly and its net asset value weekly. All of the key Fund documents along with further information on the Fund and the investment team that manages the Fund can be accessed through our website ([www.ravenSource.ca](http://www.ravenSource.ca)). We are committed to keeping the website current and encourage you to make use of this resource tool. In addition, we have expanded beyond the reporting requirements to include periodic postings on subjects that may be of interest to unitholders expressed in a less formal manner than is appropriate for this document. Aside from the website, Fund documents can also be retrieved through SEDAR ([www.sedar.com](http://www.sedar.com)) or by writing to us at Stornoway Portfolio Management Inc, 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1.

## **FUND INFORMATION**

### **Trustee, Registrar and Transfer Agent**

Computershare Trust Co. of Canada

### **Investment Manager**

Stornoway Portfolio Management Inc.  
30 St. Clair Avenue West, Suite 901  
Toronto, ON M4V 3A1

### **Auditor**

Deloitte LLP

### **Investor Relations**

Scott Reid  
416-250-2845  
[sreid@stornowayportfolio.com](mailto:sreid@stornowayportfolio.com)