



ANNUAL INFORMATION FORM

March 17, 2016

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Name, Formation and History of the Fund

This is the Annual Information Form (the “Annual Information Form”) for Ravensource Fund (formerly, the First Asia Income Fund) (the “Fund”).

The Fund is a closed-end investment trust which was created under the laws of the Province of Ontario pursuant to a declaration of trust, dated April 28, 1997 as amended January 15, 2001 and as further amended and restated as of August 22, 2003 and as of July 1, 2008 and as of July 3, 2015 (the “Declaration of Trust”).

In conjunction with the August 22, 2003 amendments to the Declaration of Trust, unitholders at that time also approved an extraordinary resolution which approved:

- the assignment of certain management contracts by the Fund’s former manager EquitiLink International Management Limited to Cinnamon Investments Limited, resulting in a change in the Fund’s Investment Manager;
- amendments to the Fund’s portfolio management agreement to change the fees payable by the Fund to Cinnamon Investments Limited in order to bring the fee structure in line with fees payable in connection with funds with a comparable investment focus;
- amendments to the investment objective, investment practices and investment restrictions of the Fund to permit the Fund to invest its property primarily in North American high yield and distressed debt securities, and equity securities, with the objective of achieving absolute annual returns with an emphasis on capital gains;
- amendments to the distribution policy of the Fund;
- an annual redemption right for unitholders;
- the continuation of the Fund as a “closed-end” fund beyond May 14, 2007; and
- the change of the name of the Fund to “Ravensource Fund”.

In conjunction with the amendments to the Declaration of Trust, at the special meeting held on June 10th, 2008, unitholders also approved:

- the termination of the portfolio management agreement and administration agreement pursuant to which Cinnamon Investments Limited provided services to the Fund;
- the appointment of Stornoway Portfolio Management Inc. as the investment manager (“Investment Manager”) of the Fund;
- the modifications of the terms of the annual redemption right;
- the ability of the Fund to purchase securities on margin;

- the ability to pay distributions in units of the Fund;
- the ability to pay management fees in units of the Fund; and
- various other changes designed to allow for more efficient management of the Fund and bring the Fund into alignment with current regulatory and industry practices.

In conjunction with the amendments to the Declaration of Trust effective July 3, 2015, the Trustee approved:

- amendments to the annual redemption right for unitholders, shortening the Annual Redemption Payment Date to no later than the fifteenth business day following the Annual Redemption Date from the previous limit of thirty business days;
- changing the applicable accounting standards from Generally Accepted Accounting Principles to International Financial Reporting Standards; and
- various other changes designed to bring the Fund into alignment with current regulatory and industry practices.

Units of the Fund (the “Units”) are listed on the Toronto Stock Exchange (“TSX”) under the symbol RAV.UN.

The Fund issued 1,424,016 rights to acquire 356,004 Units at a price of \$10.33 pursuant to a rights offering circular dated April 21, 2011. Four rights entitled the holder to purchase one Unit. Such rights expired on May 30, 2011 and a total of 356,004 Units were issued as a result of such offering.

Computershare Trust Company of Canada is the trustee of the Fund (in such capacity, the “Trustee”). The Fund’s principal and registered office is the Trustee’s office at 100 University Avenue, 12th Floor, Toronto, Ontario M5J 2Y1.

Stornoway Portfolio Management Inc. (the “Investment Manager”) is the investment manager of the Fund. The Investment Manager’s office is located at 30 St. Clair Avenue West, Suite 901, Toronto, Ontario M4V 3A1 and may be contacted at (416) 250-2845 or via e-mail info@stornowayportfolio.com.

Information about the Fund is also available at www.ravensource.ca and www.sedar.com.

Investment Objectives, Restrictions, Practices of the Fund and Use of Derivatives and Other Investment Strategies

Investment Objectives

The principal investment objective of the Fund is to achieve absolute annual returns, with an emphasis on capital gains, through investment in selected North American securities that the

Investment Manager may from time to time recommend as being a suitable investment for the Fund.

Investment Restrictions

The Fund shall be subject to the investment restrictions listed below, except in the event that the Fund converts to an open-end fund, in which event the investment restrictions will be amended as necessary or desirable to ensure that the Fund complies with applicable legal or regulatory requirements for open-end funds at that time. If a percentage restriction on investment or use of assets set forth below is adhered to at the time a transaction is effected, later changes to the market value of the investment or the value of the total assets of the Fund will not be considered a violation of the restriction and will not require the disposition of any security from the Fund's portfolio (except for the restrictions in Section 5.3.1 of the Declaration of Trust which must be complied with at all times and which may necessitate the selling of securities from time to time). For the purposes of the following, the "total assets" of the Fund means the value of the assets of the Fund, without reduction for any liabilities of the Fund. The Fund may not:

- borrow money such that the Fund's total indebtedness exceeds 30% of the total assets of the Fund, provided that short-term credits necessary for settlement of securities transactions are not considered borrowings;
- purchase or sell commodity contracts, including futures contracts and options thereon, which would result in leveraging of the Fund;
- purchase put or call options on securities (including any kind of debt security or debt-like instrument including without limitation, bonds, bills, commercial paper and treasury notes; floating rate notes; asset backed securities; income streams with debt-like characteristics; investments in infrastructure cash flows; eurobonds; convertible bonds, debentures and preference shares; interest rate and currency derivatives, both over-the-counter and exchange-traded; and currency spot and forward contracts ("Debt Securities")), securities indices or foreign currencies or write put or call options on securities (including Debt Securities), securities indices or foreign currencies if the aggregate of (i) the premium paid for such options purchased by the Fund and (ii) the premium received for such options written by the Fund, would exceed 10% of the total assets of the Fund at the time of the purchase or writing of such option;
- guarantee the securities or obligations of any issuer;
- act as an underwriter, except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of securities in its portfolio; or
- make any investment that would result in the Fund failing to qualify as a "unit trust" within the meaning of the Income Tax Act (Canada) ("Tax Act"). At the date hereof, in order to ensure the Fund qualifies as a "unit trust" within the meaning of the Tax Act:
 - i. at least 80% of the property of the Fund at all times must consist of shares, bonds, mortgages, marketable securities, cash, and, under proposed amendments to the

Income Tax Act (which, when enacted, will be retroactively applicable to the Fund from its inception), notes or similar obligations;

- ii. at least 95% of its income for each taxation year of the Fund must be derived from, or from dispositions of, investments described in (i) above; and
- iii. at no time may more than 10% of its property consist of shares, bonds or securities of any one corporation or debtor other than Her Majesty in right of Canada or a province of Canada or a Canadian municipality.

All investment restrictions shall comply with applicable laws, regulations or other requirements imposed by applicable regulatory authorities. If any such regulatory authority having jurisdiction over the Fund or any Fund Property shall enact any law, regulation or requirement which is in conflict with any investment restriction then in force, such investment restriction in conflict shall, if the Trustee on advice of counsel to the Fund so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict, and any such resolution of the Trustee shall not require approval of the unitholders, whether or not such amendment is material.

Notwithstanding the foregoing restrictions (other than Section 5.3.1(a) of the Declaration of Trust), pending the purchase of Debt Securities, the Fund may invest the proceeds of any offering of Units of the Fund in short-term investments comprised of treasury bills, issued by the Canadian and U.S. governments and having terms to maturity of 90 days or less and comparable securities of other issuers.

The Fund may invest in the securities of investment funds which invest primarily in Debt Securities, provided that such funds are not managed by the Investment Manager or any of its affiliates and provided that any administration, management, advisory or other fees paid by the Fund in respect of such investment funds will be deducted from the investment management fees otherwise payable to the Investment Manager.

Practices of the Fund

The Fund will invest primarily in North American high yield and distressed debt securities, and in equity securities.

Use of Derivatives and Other Investment Strategies

The Fund may invest in or use options, futures, forwards, options on futures, swaps or other derivatives to reduce transaction costs, achieve greater liquidity, create effective exposure to financial markets, or increase speed and flexibility in making portfolio changes, provided that such derivative instruments are consistent with the investment objective of the Fund and subject to its investment restrictions. The Fund may invest in and use derivative instruments for hedging or as a substitute for underlying securities only to the extent, if any, considered appropriate by the Investment Manager, taking into account various factors, including transaction costs. In addition, the Fund will invest only in derivatives which are permitted investments for mutual funds offered by prospectus in Canada and will be subject to the

investment restrictions and practices with respect thereto pursuant to applicable securities laws governing such funds (as may be amended from time to time).

The term “derivatives” means instruments, agreements and securities, the value of which is based upon the market price, value or level of an index, or the market price or value of a security, commodity, economic indicator or financial instrument, including options, futures, options on futures, forward contracts and synthetic securities which replicate the performance of another underlying security, index, commodity or currency.

Unitholder approval is required before the investment objective and restrictions of the Fund are changed.

Description of the Units

The Fund’s capital consists of an unlimited number of a single class of redeemable (subject to annual redemption right), transferable Units, each of which represents an equal, undivided beneficial interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units except as provided in the Declaration of Trust or required by law. Each holder of Units is entitled to one vote for each whole Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund.

In the event that the unitholders by Extraordinary Resolution approve the liquidation or termination of the Fund, the Investment Manager will, to the extent advisable, convert assets of the Fund to cash or liquid securities. The Trustee may, in its discretion and upon not less than 30 days’ prior notice to unitholders, extend a date fixed for termination of the Fund for a period not to exceed one year from such notice, if the Investment Manager advises the Trustee that the Investment Manager would be unable to convert sufficient portfolio assets to cash and/or liquid securities and the Trustee and the Investment Manager believe it would be in the best interests of unitholders to extend such date. Upon termination of the Fund, the Trustee may, subject to compliance with applicable laws, distribute assets to unitholders in specie.

Acts Requiring Unitholder Approval

The holder of each whole Unit is entitled to one vote per Unit at any meeting of unitholders.

The Declaration of Trust may be amended if authorized by the unitholders in accordance with the provisions thereof. The Trustee may from time to time after consultation with the Investment Manager modify, alter or add to the provisions of this Declaration of Trust without the approval of unitholders to: (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund; (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein; (c) bring the Declaration of Trust into conformity with (i) applicable laws, rules and policies of Canadian securities regulators or (ii) current practice within the securities or income fund industries, provided that any amendment contemplated by (ii) does not adversely affect the pecuniary value of the

interests of the unitholders; (d) maintain the status of the Fund as a “unit trust” and a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments (including proposed amendments) to the Tax Act or to the interpretation thereof; (e) change the name of the Fund; or (f) provide added protection or benefit to unitholders.

Other than the changes described above, which do not require approval of the unitholders, and changes described below, which require the affirmative vote of 66 2/3% of the Units at a meeting of unitholders called for such purpose, changes to the Declaration of Trust may be made by the Trustee with the approval of unitholders by a resolution passed by the affirmative vote of a majority of the votes cast at a meeting called for such purpose with two or more persons present in person or by proxy representing not less than 15% of the then outstanding Units (an “Ordinary Resolution”).

The following changes may be made by the Trustee only with the approval of unitholders by a resolution passed by the affirmative vote of 66 2/3% of the votes cast at a meeting called for such purpose with two or more persons present in person or by proxy representing not less than 25% of the then outstanding Units (an “Extraordinary Resolution”):

- the termination by the Fund of the Portfolio Management Agreement or the Administration Agreement entered into by the Fund;
- the termination of the Trustee of the Fund;
- any change in the Investment Objectives or Investment Restrictions of the Fund, other than such changes as are required under applicable law;
- the liquidation, dissolution or termination of the Fund; and
- any amendment to the Declaration of Trust which would materially adversely affect the Investment Manager that has not been approved by the Investment Manager.

The holders of not less than 10% of the then outstanding Units may requisition the Trustee to call a meeting of unitholders for the purpose stated in the requisition.

The Fund shall take all necessary steps to obtain regulatory relief from the requirement under certain provincial securities statutes for the Fund to hold annual meetings of unitholders. If such regulatory relief is obtained, no annual meetings of unitholders will be held unless requisitioned by unitholders.

Valuation of Portfolio Securities and Calculation of Net Asset Value

The net asset value (“Net Asset Value”) per Unit shall be calculated as of the Close of Business (as defined below) on each Valuation Date (as defined below) by the Investment Manager in accordance with the provisions of this Declaration of Trust. “Close of Business” shall mean, on any Business Day 5:00 p.m. (local time) in Jersey, Channel Islands. “Business Day” shall mean any day other than a Saturday, Sunday or statutory holiday or any day on which banks are closed in Jersey, Channel Islands or in Toronto, Ontario. “Valuation Date” shall mean (a) each Thursday, or such other day or days of the week as designated by the Investment Manager from

time to time by notice in writing to the Trustee provided that if a day that would otherwise be a Valuation Date is not a Business Day then the immediately preceding Business Day will be a Valuation Date instead; (b) the last Business Day in each fiscal quarter of the Fund; and (c) the December 31 of each year. The Investment Manager will cause the net asset value per Unit calculated on each Valuation Date to be published in a Canadian national newspaper on or about the second following day. The net asset value per Unit calculated as of the Close of Business on any Valuation Date shall remain in effect until the Close of Business on the next following Valuation Date. The net asset value per Unit shall be calculated by dividing the net assets of the Fund (the value of the Fund's portfolio investments plus any cash and other assets (including accrued interest and dividends) less liabilities of the Fund (including accrued expenses but excluding the Units)) by the number of Units outstanding (before giving effect to any issue of Units issued on that date), the result being adjusted to the nearest whole cent. The net asset value per Unit shall be expressed in Canadian dollars.

The assets of the Fund will be valued as follows:

- the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash received (or declared to holders of record on a date before the Valuation Date as of which the net asset value is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof, provided that (i) the value of any security which is a debt obligation which, at the time of acquisition, had a remaining term to maturity of one year or less shall be the amount paid to acquire the obligation plus the amount of any interest accrued on such obligation since the time of acquisition (for this purpose, interest accrued will include amortization over the remaining term to maturity of any discount or premium from the face value of an obligation at the time of its acquisition); (ii) any interest or other amount due in respect of an obligation in respect of which the issuer has ceased paying interest or has otherwise defaulted shall be excluded from such calculation; and (iii) if the Investment Manager has determined that any such deposit, bill, demand note or account receivable is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Investment Manager determines to be the fair value thereof;
- the value of any security which is listed or traded upon a stock exchange shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Investment Manager such value does not reflect the value thereof and in which case the latest offer price or bid price should be used), as at the date of valuation on which the net asset value is being determined, all as reported by any means in common use;
- the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities;
- the value of any security which is not listed or traded on a stock exchange or the resale of which is restricted by reason of a representation, undertaking or agreement by the Fund or by the Fund's predecessor in title shall be determined on the basis of such price or yield equivalent quotations (which may be public quotations or may be

obtained from major market makers) as the Investment Manager determines best reflects its fair value;

- any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the prevailing rate of exchange, as determined by the Investment Manager, on a consistent basis, at the time of valuation;
- open positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- where a clearing corporation option, option on futures or over-the-counter option is written by the Fund, the premium received by the Fund will be reflected as a deferred credit which will be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; the deferred credit shall be deducted in arriving at the net asset value; the securities, if any, which are the subject of a written clearing corporation option or over-the-counter option will be valued in the manner described above for listed securities;
- the value of a futures contract or a forward contract shall be the gain or loss, if any, that would arise as a result of closing the position in the futures contract or forward contract, as the case may be, on the date of valuation unless daily limits are in effect, in which case fair market value shall be based on the current value of the underlying interest;
- listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Investment Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Investment Manager; and
- the value of any security or property to which, in the opinion of the Investment Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in good faith in such manner as the Investment Manager from time to time adopts.

Net asset value will be translated into Canadian dollars at the daily closing selling rate of the Canadian dollar quoted by Reuters Information Services (or such other independent internationally recognized financial institution as is designated by the Trustee upon the recommendation of the Investment Manager from time to time) at Close of Business on the Valuation Date against the currencies in which the investments are held. For greater certainty, during the period prior to the Final Instalment Date, the aggregate amount of the Final Instalments will not be included as an account receivable in the calculation of net asset value.

If an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Investment Manager to be inappropriate under the circumstances, then notwithstanding such rules, the Investment Manager will make such valuation as it considers fair and reasonable and, if there is an industry practice, in a manner consistent with industry practice for valuing such investment.

Purchases and Annual Redemption Right

Purchases

Registration of interests in, and transfers of, the Units are made only through the book-based system administered by The Canadian Depository for Securities Limited (“CDS”). Units must be purchased, transferred and surrendered for redemption through a participant in CDS. All rights of unitholders must be exercised through, and all payments or other property to which such unitholders are entitled are made or delivered by, CDS or the CDS participant through which the unitholder holds such Units. Upon purchase of any Units, the unitholders will receive only a customer confirmation (and not a Unit certificate) from the CDS participant from or through which the Units are purchased.

The issue price of Units is based on the NAV of the Unit next determined after the receipt by the CDS participant of the purchase order.

Annual Redemption Right

By delivering an Annual Redemption Request (as defined below) to be received by the Fund’s registrar and transfer agent on or before the twentieth business day prior to the applicable Annual Redemption Date (as defined below), subject to compliance with applicable laws and the provisions hereof, unitholders shall be entitled to require the Fund to redeem some or all of their Units outstanding as of the Annual Redemption Date. “Annual Redemption Request” means a written instrument, in form acceptable to the Investment Manager and the Fund’s registrar and transfer agent, requesting the redemption of Units owned by a unitholder and specifying the number of Units to be redeemed, which is delivered to the Fund’s registrar and transfer agent, at its principal transfer office in the City of Toronto on or before the twentieth business day prior to the Annual Redemption Date. “Annual Redemption Date” means the Valuation Date immediately following August 31 each year.

For each Unit redeemed in accordance with the provisions of the annual redemption right, the Fund shall pay to or to the order of the holder thereof the Annual Redemption Value (defined below) on or before the Annual Redemption Payment Date (defined below), subject to the Fund’s election to re-circulate Units (see Section 3.15 of the Declaration of Trust). Annual Redemption Value shall mean the Net Asset Value per Unit as at the Annual Redemption Date (for which greater certainty, will reflect those expenses incurred to effect the redemption, and liquidate a sufficient portion of the property and assets of the Fund including all sums or property of any type and description committed to the Trustee for the account of the Fund (including the proceeds of subscriptions for Units), any income therefrom and other accretions thereto and any additions thereto or replacements thereof from time to time). “Annual Redemption Payment Date” means the date determined by the Investment Manager for the payment of the Annual

Redemption Value for Annual Redeemed Units (defined below) which is to be no later than the fifteenth business day following the Annual Redemption Date. "Annual Redeemed Units" shall mean Units of the Fund that are redeemed by the Fund pursuant to an Annual Redemption Request.

From and after the Annual Redemption Date, Annual Redeemed Units shall cease to be entitled to share in the income or any participation in the assets of the Fund and the holder thereof shall not be entitled to exercise any of the rights of a holder of Units in respect of such Annual Redeemed Units, other than the right to receive the Annual Redemption Value thereof. Annual Redeemed Units shall be deemed to be outstanding until, but not after, the close of business on the Annual Redemption Date.

An Annual Redemption Request shall be irrevocable upon receipt by the Fund's registrar and transfer agent.

The amount of any income or capital gains realized in a year by the Fund as a result of any disposition of Fund Property undertaken to permit or facilitate the redemption of Units pursuant to Section 3.15 of the Declaration of Trust may, for purposes of computing the net income and the net capital gains under the Tax Act or other tax legislation, be treated as having been paid in the year by the Fund to the unitholders redeeming Units in such year and may be designated by the Fund as such income or a taxable capital gain to such unitholders. In addition, the Fund may distribute, allocate and designate net income and net capital gains of the Fund to a unitholder who has redeemed Units during the year in an amount equal to the unitholder's share, at the time of redemption, of the Fund's net income and net capital gains for the year or such other amount that is determined by the Fund to be reasonable.

Risk Factors

Certain risk factors relating to the Fund and the Units are described below. Additional risks and uncertainties not currently known to the Investment Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund could be materially adversely affected.

No Assurance of Achieving Investment Objectives

There can be no assurance that the Fund's investment objective will be achieved.

All investments present a risk of loss of capital. The Investment Manager believes that the Fund's investment program and research techniques will moderate this risk through a careful selection of securities, but there is no assurance that the Investment Manager will succeed. The Investment Manager may utilize trading techniques or instruments which can, in certain circumstances, maximize the adverse impact to the Fund. Many of the unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Fund's

portfolio and performance. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Trading Price of Units

The Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit.

Performance and Marketability of Underlying Securities

The Net Asset Value of the Fund varies in accordance with the value of the securities held by the Fund. The value and marketability of securities owned by the Fund will be affected by numerous exogenous factors, which are beyond the control of the Investment Manager or the Fund. The Fund's assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or that are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to accurately value any such investments.

Credit Risk of High-Yielding Securities

A core strategy of the Fund is to invest in high-yielding securities which may be considered speculative with respect to the issuer's continuing ability to pay interest and principal and will result in the Fund assuming credit risk. Credit risk refers to an issuer's ability to make timely payments of interest and principal. Lower-grade securities may have less liquidity and a higher incidence of default than higher-grade securities. The Fund may incur higher expenses to protect its interest in such securities. The credit risks and market prices of lower-grade securities generally are more sensitive to negative issuer developments, such as reduced revenues or increased expenditures, or adverse economic conditions, such as a recession, than are higher-grade securities.

Purchases of Securities of Financially Distressed Companies

A core strategy of the Fund is to make purchases of securities and other obligations of companies that the Investment Manager believes to be undervalued or that may be in or near financial distress, including companies involved in bankruptcy or other restructuring, reorganization and insolvency proceedings. Such purchases may involve a substantial degree of risk and take a considerable period of time before exhibiting any returns. In fact, many of these instruments usually remain unpaid unless and until the company completes its reorganization and/or emerges from bankruptcy, and as a result may have to be held for an extended period of time. The level of financial and legal analytical sophistication required for successful investment in companies experiencing financial distress is very high. It can not be assured that the Investment Manager will correctly evaluate the various factors that could affect the prospects for a successful reorganization or similar action and consequently whether the securities are in fact undervalued or that they will increase in value. Further, in such cases, a substantial period of time may elapse between the Fund's purchase of the securities and the acquisition attempt or reorganization. During this period, a portion of the Fund's assets would be committed to the securities purchased. In any reorganization or liquidation of a company in which the Fund invests, the

Fund may lose its entire investment or may be required to accept cash or securities for less than the value of the Fund's original investment. In such situation, the returns generated from the Fund's investments may not adequately compensate for the risks assumed.

Purchases of Equity Securities

A core strategy of the Fund is to invest in equity securities. The market value of equity investments will be influenced by stock market conditions in those jurisdictions where the securities are listed for trading. The Fund is also exposed to adverse changes in the circumstances of the issuers whose equity securities are held by the Fund, including changes in the business strategy, deterioration of the operating performance, changes in the capital structure, management changes, changes in the legal or regulatory environment in which the issuer operates, and adverse changes in the market in which the issuer operates.

Currency Risk

A portion of the Fund's assets may be invested in securities denominated in currencies other than Canadian dollars, including those of both Canadian and foreign issuers. Accordingly, a portion of the income received by the Fund will be denominated in non-Canadian currencies. The Fund will nevertheless compute and distribute its income in Canadian dollars. Thus changes in currency exchange rates may affect the Fund's income, the value of the Fund's portfolio and the unrealized appreciation or depreciation of investments. Further, the Fund may incur costs in connection with conversions between various currencies.

Interest Rate Fluctuations

From time to time the Fund will invest in interest rate sensitive securities whose valuation may change as the general level of interest rates fluctuate. The value of these securities and the Net Asset Value of the Fund can be expected to rise when interest rates decline. Conversely, when interest rates rise, the value of these securities and the Net Asset Value of the Fund can be expected to decline.

Leverage and Interest Rates

The Fund may borrow funds from brokerage firms and banks in order to be able to increase the amount of capital available for marketable securities investments. The level of interest rates, generally, and the rates at which the Fund can borrow, in particular, will affect the operating results of the Fund. The use of margin borrowing exposes the Fund to additional levels of risk including: (i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments, (ii) margin calls or changes in margin requirements that may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of leverage related to such investments. The use of leverage subjects the Fund to higher current expenses. In case of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Fund.

Risks of Short Sales

A short sale involves the sale of a security that the Fund does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. A short sale entails the borrowing of the security in order that the short sale may be transacted. There can be no assurance that the lender of the security will not require the security to be repaid before the Fund wishes to do so, thereby requiring the Fund to borrow the security elsewhere or purchase the security in the market at an unattractive price. In addition, the borrowing of securities entails the payment of a borrowing fee. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Fund may have to bid up the price of the security in order to cover the short position, resulting in losses to the Fund. There is no assurance that a borrowing fee will not increase during the borrowing period, adding to the expense of the short sale strategy.

Short sales can substantially increase the impact of adverse price movements on the Fund's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short that could result in an inability to cover the short position and theoretically subject the Fund to a loss in excess of the Fund's investment.

Use of Options and Other Derivative Instruments

The Fund may invest in or use options, futures, forwards, options on futures, swaps or other derivatives provided that such derivative instruments are consistent with the investment objective of the Fund and subject to its investment restrictions. There can be no assurance that the Fund's use of derivatives will be successful. The risk of loss when purchasing an option may be subject to greater fluctuation than an investment in the underlying security. The use of derivatives involves numerous risks including: (i) the Fund may not be able to close out a derivative contract at will, preventing the Fund from making a profit or limiting a loss; (ii) a stock exchange could impose limits on the trading of derivatives through the facilities of the exchange, thereby restricting the liquidity of the derivatives, and (iii) the value of derivative instruments can be highly volatile. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

Use of a Prime Broker to Hold Assets

Certain risks exist when the Fund's assets are held by a prime broker rather than through a traditional custodial arrangement with a bank or trust company. Owing to the use of leverage and the presence of short positions, some or all of the assets of the Fund may be held in one or more margin accounts which may provide less segregation of customer assets than would be the case with a more traditional custody arrangement. In the event the prime broker experiences serious financial difficulty, the assets of the Fund could be frozen and inaccessible for withdrawal or trading for an extended period of time while the prime broker's business is liquidated. Consequently, this could result in a potential loss to the Fund's investment in the event of adverse market movements while the positions cannot be traded. Additionally, if the prime broker's pool of customer assets is determined to be inadequate to meet all claims, the Fund could suffer a loss.

Reliance on the Investment Manager

The Investment Manager will manage the Fund in a manner consistent with the investment objectives and the investment restrictions of the Fund. The officers and employees of the Investment Manager have extensive experience in managing investment portfolios. The Investment Manager depends on a very limited number of individuals in the administration of its activities. The loss of the services of any one of these individuals for any reason could impair the ability of a Investment Manager to perform its duties.

Conflicts of Interest

The Investment Manager and its officers and employees engage in the promotion, management or investment management of one or more funds with similar investment objectives to those of the Fund. Although none of the officers and employees of the Investment Manager will devote his or her full time to the business and affairs of the Fund, each officer and employee will devote as much time as is necessary to manage the Fund diligently and in accordance with the mandate of the Fund.

From time to time, officers or employees of the Investment Manager may serve on the boards of directors or other governing bodies of companies whose securities are, or may be, traded by the Fund or by the proprietary accounts of the Investment Manager or other accounts it controls. In addition, the Fund or such proprietary accounts may trade the securities of affiliates, investors, customers, suppliers, or lenders of, or joint ventures with, such portfolio companies. In serving as directors or other governing members of such portfolio companies, the particular officer or employee will have a fiduciary duty to such companies and will be required to act in the best interests of such companies, and such officer or employee and accounts that he or she controls will be restricted at certain times from trading the securities of such companies.

Additional disclosure regarding potential conflicts of interest can be found later in this report.

Nature of Units

The Units are neither fixed income nor equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Distribution Policy

The Fund’s current dividend or distribution policy is contained in the Declaration of Trust. Subject to compliance with such distribution policy, determinations as to the amounts actually distributable are made in the sole discretion of the Trustee.

Distribution History

The Fund paid a cash distribution of \$0.15 per Unit, on December 30, 2015, to unitholders of record on December 23, 2015. The Fund paid a cash distribution of \$0.15 per Unit, on June 30, 2015, to unitholders of record on June 23, 2015.

The monthly distributions paid by the Fund during the fiscal years 2013 and 2014 are as follows:

Record Date	Dividend Amount	Payment Date
June 21, 2013	\$0.09	June 28, 2013
December 17, 2013	\$0.15	December 27, 2013
June 23, 2014	\$0.15	June 30, 2014
December 23, 2014	\$0.15	December 30, 2014

Market for Securities

Units of the Fund (the "Units") are listed on the Toronto Stock Exchange ("TSX") under the symbol RAV.UN. The following table sets forth the market price range and trading volume of the units on the TSX during 2015.

Trading Price and Volume

Month	Unit Price		Volume
	High	Low	
January	\$13.25	\$11.70	1,401
February	\$12.12	\$11.90	500
March	\$12.55	\$12.12	2,600
April	\$13.79	\$12.25	2,700
May	\$13.53	\$13.26	2,200
June	\$14.09	\$13.81	206
July	\$14.00	\$14.00	701
August	\$13.72	\$12.25	1,453
September	\$12.37	\$12.37	300
October	\$12.51	\$12.50	1,800
November	\$12.65	\$12.65	600
December	\$12.65	\$12.65	566

Responsibility for Fund Operations

The Investment Manager and Administrator

The Investment Manager is a corporation incorporated under the Business Corporations Act (Ontario) whose registered office is located at 30 St. Clair Avenue West, Suite 901, Toronto, Ontario, M4V 3A1.

Pursuant to a portfolio management agreement dated as of April 28, 1997, as amended and restated as of September 30, 2003 and further amended and restated as of July 1st, 2008 (the "Portfolio Management Agreement"), between the Trustee, on behalf of the Fund, and the Investment Manager, the Investment Manager has been retained to arrange for the provision of portfolio management services to the Fund. Subject to the general control and supervision of the Trustee, the Investment Manager is authorized to arrange for the investment and reinvestment of the assets of the Fund to achieve the investment objective of the Fund. For performing these services, the Investment Manager receives fees from the Fund. See below under the heading "Fees and Expenses". The Investment Manager may also engage the services of other independent advisors to provide services for the Fund. The Portfolio Management Agreement will continue in effect until the termination of the Fund. The Portfolio Management Agreement may also be terminated by the Investment Manager in the event the Fund is in breach or default of the provisions therein and such breach of default has not been cured within 20 business days' notice of such breach of default. In such circumstances, unitholders must also have approved such termination by Extraordinary Resolution. Termination may also occur in certain other specified circumstances, including the bankruptcy (or other similar event) of the Investment Manager.

The Investment Manager also provides administrative services to the Fund pursuant to an administration agreement dated as of April 28, 1997, as amended and restated as of September 30, 2003 and further amended and restated as of July 1st, 2008 (the "Administration Agreement"), between the Trustee, on behalf of the Fund, and the Investment Manager. Pursuant to the Administration Agreement, the Investment Manager assists the Fund with certain administrative matters, including the calculation of the Net Asset Value per Unit, the preparation of the continuous disclosure material on behalf of the Fund, in conjunction with the Trustee, the preparation of financial information for the Fund and quarterly, semi-annual and annual reports to unitholders, and responding to investors' inquiries relating to the Fund. The Investment Manager pays its own costs in connection with the provision of these services, other than the costs of printing and distributing any reports and similar expenses which, pursuant to the Declaration of Trust, are for the account of the Fund. The Investment Manager receives an administration fee from the Fund for performing these services.

The name, municipality of residence, and the principal occupation of the directors and officers of the Investment Manager are as follows:

<u>Name and Address</u>	<u>Position with the Investment Manager</u>	<u>Principal Occupation</u>
Scott R. Reid Toronto, ON	President and Director	President and Director of the Investment Manager (since 2004)

Investment Committee

The Fund's investment portfolio is monitored by an Investment Committee which is currently comprised of Scott R. Reid and Patrick W.E. Hodgson. The Investment Committee meets frequently to evaluate new investment opportunities, monitor the risk and make-up of the existing investment portfolio, and to ensure compliance with the investment mandate and restrictions of the Fund.

Scott R. Reid is the President of the Investment Manager, and has overall responsibility for directing the research efforts, investment decisions and execution of investment strategies for the funds that the Investment Manager manages. Prior to establishing the Investment Manager in 2004, Mr. Reid was a managing director in the Fixed Income Group at National Bank Financial.

Patrick W.E. Hodgson is the President of Cinnamon Investments Limited and managed the Ravensource Fund up until July 1, 2008. Mr. Hodgson has over 40 years of experience investing in and operating companies; he currently serves as a director of M&T Bank and is a former Chairman of Scott's Hospitality Inc. and a former Chairman of Todd Shipyards.

For a more fulsome description of the Investment Committee and for Mr. Reid's and Mr. Hodgson's biographies, please refer to the Investment Committee section found on Ravensource's website (www.ravensource.ca).

Brokerage Arrangements

The Fund has no contract or arrangement with any investment dealer or broker regarding portfolio security transactions. The Fund's brokerage business is not allocated according to any specific formula, method or criteria nor is it based upon the provision of investment-making services or sales of Units.

Custodian

As of the date hereof, BMO Nesbitt Burns Inc. (the "Custodian") is the custodian of the Fund. The principal office of the Custodian is located in Toronto, Ontario. The Custodian hold the Fund's securities and other portfolio assets through a prime brokerage account on behalf of the Fund.

Registrar and Transfer Agent

Computershare Investor Services Inc. (the "Transfer Agent and Registrar") has been appointed the registrar and transfer agent of the Fund. The Transfer Agent and Registrar is responsible for maintaining the register of the owners of Units of the Fund. The register of Units of the Fund is kept in Toronto, Ontario, at the head office of the Transfer Agent and Registrar.

Auditor

The auditors of the Fund are KPMG LLP, 333 Bay Street, Suite 4600, Toronto, ON, M5H 2S5.

Trustee

Computershare Trust Company of Canada is the trustee of the Fund pursuant to the Declaration of Trust. The principal office of the Trustee is located in Toronto, Ontario. The Trustee holds legal title to the property of the Fund for the benefit of all of the unitholders of the Fund.

Conflicts of Interest

Scott R. Reid is currently a member of the Board of Directors of SFG Parent Inc (“SFG”) and its various subsidiaries. The Fund has an investment in securities issued by SFG that was made prior to Mr. Reid’s appointment to the board. Mr. Reid has no personal interest in being on the board, however does receive directors fees personally of approximately US\$25,000 annually.

During 2012, the Investment Manager entered into a services agreement with SFG (the “SFG Services Agreement”) whereby the Investment Manager is to provide strategic advice and analysis to SFG and in return will earn a fee for these services. As per its internal policy, the Investment Manager 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 by the Investment Manager from the SFG Services Agreement in an amount proportionate to the Fund’s relative investment in SFG securities (another fund managed by the Investment Manager also holds investments in SFG securities). The Investment Manager will continue to reduce the management fee and administrative fees accordingly for so long as the Fund is invested in SFG securities and the Investment Manager continues to receive fees under the services agreement with SFG. The SFG Services Agreement and the Investment Manager’s policy regarding fees received from investees were reviewed by the IRC. It is the IRC’s opinion that no conflict exists and that the policy achieves a fair and reasonable result for the Fund and aligns the interests of the Investment Manager with those of the Fund.

Scott R. Reid owned or controlled or directed, directly or indirectly, 159,700 Units representing approximately 9.5% of the issued and outstanding Units as at March 17, 2016.

Patrick W. E. Hodgson owned or controlled or directed, directly or indirectly, 722,790 Units representing approximately 43.1% of the issued and outstanding Units as at March 17, 2016.

To the knowledge of the Fund, as at March 17, 2016, no person (other than CDS and as described above) owned, beneficially or of record, either directly or indirectly, or exercised control or direction over, more than 10% of the outstanding Units.

As at March 17, 2016, Mr. Michael Gardiner, a member of the IRC, beneficially owned 6,400 common shares of Bank of Montreal and Mr. David Magahey, a member of the IRC, beneficially owned 180 common shares of Bank of Montreal. BMO Nesbitt Burns Inc., a subsidiary of the Bank of Montreal, provides prime brokerage services to the Fund and is the Fund’s custodian.

Governance of the Fund

Fund Governance

The board of directors of the Investment Manager (the “Board”) is responsible for fund governance matters.

The Investment Manager has a compliance policies and procedures manual (the “Manual”) that governs the policies and practices of the Investment Manager in connection with its business practices, sales practices, risk management controls and internal conflicts of interest. The Manual includes employee policies such as the code of ethics and the personal trading policy. It also prescribes procedures for sales communications and practices, and timely and continuous disclosure requirements.

The Fund may invest in or use options, futures, forwards, options on futures, swaps or other derivative instruments (collectively, “derivatives”) that are consistent with the investment objective of the Fund, subject to the investment restrictions of the Fund. The Fund may use derivatives rather than direct investments to reduce transaction costs, achieve greater liquidity, and create effective exposure to financial markets or increase speed and flexibility in making portfolio changes.

Independent Review Committee

As required by applicable securities legislation the Independent Review Committee (“IRC”) was established for the Fund. The IRC began overseeing decisions involving actual or perceived conflicts of interest on November 1, 2007. The Investment Manager has established written policies and procedures to follow in making decisions involving actual or perceived conflicts of interest and refers such matters to the IRC for review.

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 on a semi-annual basis 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.

The IRC is composed of the following three individuals: Michael Siskind (Chairman), Michael Gardiner, David Magahey. Each of the IRC members are independent of the Investment Manager and its affiliates:

As compensation for services to the Fund, each IRC member is paid a \$1,600 retainer, plus \$600 for each meeting attended. The Chairman of the IRC is paid an additional \$1,000 per annum in compensation for his additional responsibilities. All compensation of IRC members is paid by the Fund.

Proxy Voting Policy

The Investment Manager has full responsibility for proxy voting and related duties in respect of the Fund. In fulfilling these duties, the Investment Manager and the Fund have adopted proxy policies and procedures (the “Proxy Policies”) to ensure that proxies for securities held by the Fund are voted consistently and solely in the best economic interests of the Fund. The Proxy Policies are more fully summarized below.

- The Investment Manager is responsible for the oversight of the Fund’s proxy voting process and has assigned a senior member of its staff to be responsible for this oversight.
- The Investment Manager will typically vote in favour of routine matters unless there are specific circumstances for voting against. Routine matters include: election of directors; appointment of auditors and auditor compensation; changes in capitalization; and management compensation. Proxies will, however, be voted against stock option plans considered to be excessive, undeserved or evergreen.
- How the Investment Manager actually votes the proxies or refrains from voting on non-routine matters will vary depending on the specific matter involved. For example, with respect to shareholder rights plans, the Fund will typically vote against proposals that entrench incumbency and dilute the fundamental right of ownership. Non-routine matters would also include: corporate reorganization; mergers and acquisitions; proposals affecting shareholder rights; corporate governance; and social and environmental issues.
- Deviations from the standing policy may occur on routine and non-routine matters where there is a conflict of interest. For example, if the Investment Manager has actual knowledge of a material conflict of interest between itself and the Fund with respect to the voting of a proxy, the Investment Manager shall vote the applicable proxy to avoid such conflict of interest.

The Investment Manager will compile and maintain annual proxy voting records for the Fund for the annual periods beginning July 1 in a year and ending June 30 of the following year. Copies of the annual proxy voting record are available on the Fund’s website at www.ravensource.ca. Copies of the proxy voting record and complete proxy voting procedures for the Fund are

available to investors free of charge upon request. Requests can be made by calling (416) 250 2845 or sending an email to info@stornowayportfolio.com. Investors may also send a request by mail addressed to the attention of the Investment Manager at 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1.

Fees and Expenses

The management fees and administrative fees payable by the Fund to the Investment Manager are based on the Fund's average weekly assets at the end of each week and are payable on the last business day of each calendar month as follows:

<u>Average Weekly Assets</u>	<u>Portfolio Management Fee</u>	<u>Administrative Services Fee</u>
Up to and including \$250 million	0.65% of NAV plus HST	0.35% of NAV plus HST
Between \$250 and \$500 million	0.60% of NAV plus HST	0.30% of NAV plus HST
\$500 million or more	0.55% of NAV plus HST	0.25% of NAV plus HST

An incentive fee will also be paid to the Investment Manager in any year in which the NAV at the end of the year, adjusted for contributions and distributions during the year, exceeds the NAV at the beginning of the year by more than 5%, plus any shortfall from prior years. The fee will be equal to 20% of this increase and will be calculated and accrued monthly, but paid annually.

In addition, the Investment Manager will be paid the Investor Relations Fee of \$1,000 per month as compensation for unitholder reporting and other services provided under a service agreement.

During the most recently completed financial year of the Fund, the Investment Manager received a total of \$242,614 (2014 - \$170,095) in fees including HST, from the Fund for its services.

The Investment Manager has the power to incur and make payment out of the Fund any charges or expenses which, in the opinion of the Investment Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Declaration of Trust, including without limitation all fees and expenses relating to the management and administration of the Fund.

The Trust has an investment in the securities of Specialty Foods Group Inc. ("SFG"). Additionally, another fund managed by the Investment Manager holds investments in SFG securities. During 2012, the Investment Manager entered into a services agreement with SFG whereby the Investment Manager is to provide strategic advice and analysis to SFG and in return will earn a fee for these services. The Investment Manager has elected to reduce the management fees and administrative fees that it charges to the Trust in an amount proportionate to the Trust's relative investment in SFG securities. During 2015, the Investment Manager reduced management fees by \$69,166 (2014 - \$67,063) and reduced administrative fees by \$37,065 (2014 - \$36,215), which fees and costs would have been subject to HST. Therefore, the total impact of the fee reductions amounted to \$120,041 inclusive of HST (2014 - \$116,703) as noted in the financial

statements. The Investment Manager will continue to reduce the management fee and administrative fees accordingly for so long as Ravensource is invested in SFG securities and the Investment Manager continues to receive fees under the services agreement with SFG.

Income Tax Considerations for Investors

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act and the regulations thereto (“Regulations”) generally applicable to the acquisition, holding and disposition of Units by a unitholder who acquires Units. This summary only applies to a unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and the Regulations and at all relevant times, is or is deemed to be resident in Canada, deals at arm’s length with the Fund and holds Units as capital property. Units will generally be considered to be capital property to a unitholder unless the Units are held or were acquired in the course of carrying on a business or such Units are held or were acquired in a transaction considered to be an adventure in the nature of trade. Certain individuals who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other “Canadian securities” owned or subsequently acquired by such individual treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act and Regulations, all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “Tax Proposals”), and the current published administrative and assessing practices of the Canada Revenue Agency announced prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as proposed; however, there can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor’s particular circumstances including the province or provinces in which the investor resides or carries on business.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any particular investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

This summary also assumes that none of the issuers of the securities held by the Fund will be foreign affiliates of the Fund or of any unitholders and that none of the securities held by the Fund will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act. Further, this summary assumes that none of the securities held by the Fund will be an “offshore

investment fund property” that would require the Fund to include amounts in the Fund’s income pursuant to section 94.1 of the Tax Act, or an interest in a trust which would require the Fund to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, or an interest in a non-resident trust other than an exempt foreign trust as defined in proposed section 94 of the Tax Act, each as contemplated by certain Tax Proposals (or such proposals as amended or enacted or successor provisions thereto).

This summary is based on the assumption that the Fund complies with the investment restrictions as described above under the heading “Investment Restrictions and Practices of the Fund”.

Status of the Fund

This summary assumes that the Fund will qualify at all relevant times as a “mutual fund trust” within the meaning of the Tax Act. In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences as described below would in some respects be materially different. This summary also assumes that the Fund will not be a “SIFT trust” under the Tax Act. Provided that the Fund does not hold any “non-portfolio property” as defined in the Tax Act it will not be a SIFT trust. It is expected that the Fund will not hold any non-portfolio properties.

Provided that, at all relevant times, the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or the Units are listed on a “designated stock exchange” within the meaning of the Tax Act (which includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each a “Registered Plan”). See “Income Tax Considerations for Investors - Taxation of Registered Plans” for the consequences of holding Units in plan trusts.

Taxation of the Fund

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including the taxable portion of net realized capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable to unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes sufficient distributions in each year of its net income and net realized capital gains it will generally not be liable in such year for income tax under Part I of the Tax Act.

The Fund currently has approximately \$16.7 million of unused capital losses. Losses incurred by the Fund in a taxation year cannot be allocated to unitholders of the Fund, but may be deducted by the Fund in future years in accordance with the Tax Act. Accordingly, until such losses are fully used, the Fund will not have any taxable income.

In computing its income for tax purposes, the Fund is required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security. The Fund is also required to include in its income for each taxation year all interest that accrues,

or is deemed to accrue, to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

On a disposition of a security held by the Fund as capital property, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such security to the Fund. Gains or losses on the Fund's invested securities would generally be on capital account unless the Fund is considered to be in the business of buying and selling its invested securities or if the Fund is considered to have acquired its invested securities as an adventure in the nature of trade. The Fund will purchase securities with the objective of earning income and interest thereon. Accordingly, the Fund intends to treat any gains or losses on its invested securities as capital gains or losses.

The Fund is required to compute all amounts, including income, cost of property and proceeds of disposition, in Canadian dollars for purposes of the Tax Act. As a consequence, the amount of income, expenses and capital gains or capital losses may be affected by changes in the value of foreign currency relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the Fund's portfolio will likely constitute capital gains and capital losses to the Fund if the securities in the Fund's portfolio are capital property to the Fund, and provided that the hedge is sufficiently linked to the securities denominated in the foreign currency.

The Fund is entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred by it for the purpose of earning income.

On October 31, 2003, the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of property held by a taxpayer if there is no reasonable expectation that the property will produce a cumulative profit over the period that it can reasonably be expected to be held. For the purposes of the proposed amendments, profit is to be determined without reference to capital gains or capital losses. The February 23, 2005 federal budget indicated that the Department of Finance will respond to concerns raised in respect of these proposals with a more modest legislative proposal which will be released for public comment. No such proposal has been publicly released. If such Tax Proposal were to apply to the Fund, losses that would otherwise reduce the Fund's income or the taxable portion of net realized capital gains could be denied, with after-tax returns to unitholders reduced as a result.

The Tax Act provides for a special tax on designated income of certain trusts that have designated beneficiaries. This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Fund qualifies as a mutual fund trust throughout a taxation year, it is not subject to the special tax for such taxation year.

The Fund will derive income (including gains) from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such income and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

Taxation of Unitholder

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount which is less than the amount of its distributions for the year. This will enable the Fund to use, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a unitholder but not deducted by the Fund is not included in the unitholder's income. However, the adjusted cost base of the unitholder's Units is reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the unitholder from the disposition of the Unit and the unitholder's adjusted cost base is increased by the amount of such deemed capital gain.

As of December 31st, 2015, the Fund had approximately \$16.7 million of unused capital losses. Losses incurred by the Fund in a taxation year cannot be allocated to unitholders of the Fund, but may be deducted by the Fund in future years in accordance with the Tax Act. Accordingly, until such losses are fully used, the Fund will not have any taxable income with the result that distributions from the Fund will be returns of capital.

Once the losses are fully used, a unitholder will generally be required to include in computing income for a particular taxation year of the unitholder such portion of the net income of the Fund for a taxation year, including the taxable portion of net realized capital gains, as is paid or becomes payable to the unitholder (whether in cash or in Units) in that particular taxation year. The non-taxable portion of the Fund's net realized capital gains that are paid or become payable to a unitholder in a taxation year are not included in computing the unitholder's income for the year. Any other amount in excess of the unitholder's share of the net income of the Fund for a taxation year that is paid or becomes payable to the unitholder in the year will not generally be included in the unitholder's income for the year but will reduce the adjusted cost base of the unitholder's Units.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, the foreign source income of the Fund and the taxable

dividends received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a unitholder and the amount of foreign taxes paid or deemed to be paid by the Fund, if any, will effectively retain its character and be treated as such in the hands of the unitholder for purposes of the Tax Act. A unitholder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such unitholder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply.

The NAV per Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Units are acquired. Accordingly, a unitholder who acquires Units, including on the reinvestment of distributions, may become taxable on the unitholder's share of income and gains of the Fund that accrued before the Units were acquired.

On the disposition or deemed disposition of a Unit, including on a redemption, the unitholder will realize a capital gain (or capital loss) to the extent that the unitholder's proceeds of disposition (other than any amount payable by the Fund which represents an amount that is otherwise required to be included in the unitholder's income as described above), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base of Units to a unitholder, when additional Units are acquired, the cost of the newly acquired Units is averaged with the adjusted cost base of all Units owned by the unitholder as capital property immediately before that time. For this purpose, the cost of Units that have been issued as a special distribution will generally be equal to the amount of the net income or capital gain distributed to the unitholder that has been distributed in the form of Units. A consolidation of Units following a distribution paid in the form of additional Units is not regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a unitholder.

One-half of any capital gain ("taxable capital gain") realized by a unitholder on the disposition of Units or designated by the Fund in respect of the unitholder in a taxation year will generally be included in computing the unitholder's income for that year and one-half of any capital loss realized by a unitholder in a taxation year may be deducted from taxable capital gains realized by the unitholder or designated by the Fund in respect of the unitholder in accordance with the provisions of the Tax Act.

Amounts designated by the Fund to a unitholder as taxable capital gains, taxable dividends from taxable Canadian corporations and taxable capital gains realized on the disposition of Units may increase the unitholder's liability for alternative minimum tax.

Taxation of Registered Plans

Amounts of income and capital gains included in a Registered Plan's income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the plan trust. See "Income Tax Considerations for Investors – Status of the Fund". Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a plan trust.

Provided that the holder of a tax-free savings account or, the annuitant under a registered retirement savings plan or registered retirement income fund does not hold a significant interest in the Fund or any person or partnership that does not deal at arm's length with the Fund for purposes of the Tax Act, and provided that such holder or annuitant deals at arm's length with the Fund for purposes of the Tax Act, the Units will not be prohibited investments for trusts governed by such tax-free savings account, registered retirement savings plan or registered retirement income fund. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm's length. Investors are advised to consult their own tax advisors in this regard.

Remuneration of Trustee

During the most recently completed financial year of the Fund, the Trustee received \$20,000 in fees & expenses, including HST, from the Fund for its services as Trustee and as Transfer Agent and Registrar.

Material Contracts

The following are the material contracts of the Fund:

- the Declaration of Trust;
- the Portfolio Management Agreement; and
- the Administration Agreement.

These contracts may be inspected by you, either as a prospective investor or as an existing unitholder, at the offices of the Investment Manager during normal business hours. They are also available at www.ravensource.ca or www.sedar.com.

ANNUAL INFORMATION FORM



Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.

You can get a copy of these documents at your request, and at no cost, by calling (416) 250-2845, or from your dealer or broker or by e-mail at info@stornowayportfolio.com.

These documents and other information about the Fund, such as information circulars and material contracts, are also available either at www.ravensource.ca or at www.sedar.com.

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