RAVENSOURCE
FUND

MANAGEMENT'S LETTER TO UNITHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2019

NOTICE TO READER

The purpose of Ravensource's Management's Letter to Unitholders is to impart information and analysis to Ravensource's unitholders to allow a thorough understanding of their investment. This letter is a supplemental report to the financial statements, Management Report on Fund Performance ("MRFP"), Annual Information Form ("AIF") and the Independent Review Committee ("IRC") report. You can get a copy of the aforementioned documents and the Fund's proxy voting policies and proxy voting record by calling (416) 250-2845, by writing to us at Stornoway Portfolio Management 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1, by visiting our website at www.ravensource.ca, or the SEDAR website at www.sedar.com.

A Note on Forward-Looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, decisions, opportunities, risks or other matters. Forward-looking statements are predictive in nature requiring us to make assumptions and subject to inherent risks and uncertainties. Our forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, etc. to differ materially from expectations, estimates or intentions. These risk factors include market and general economic conditions, regulatory developments, the effects of competition in the geographic and business areas the fund may invest and others as detailed in Ravensource's Annual Information Form. 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 Ravensource may not update any forward-looking statements.

About the Ravensource Fund

The Ravensource Fund is a closed-end investment trust whose units trade on the TSX under the symbol **RAV.UN**. The principal objective of Ravensource is to achieve absolute long-term returns through investing in out-of-favor and deep-value North American securities. Ravensource's investments fall primarily in three strategies:

1. *Distressed Securities:* Investing in corporate debt, creditor claims and/or equity securities of companies, which are in, or perceived to be in financial distress or insolvency.
2. *Alternative Credit:* Investing in corporate debt, on either a primary or secondary basis to earn a yield that we believe is attractive given the underlying credit risk.
3. *Special Situations Equities:* Investing primarily in Canadian and U.S. small- and mid-cap equities that have catalysts to bridge the gap between market price and intrinsic value.

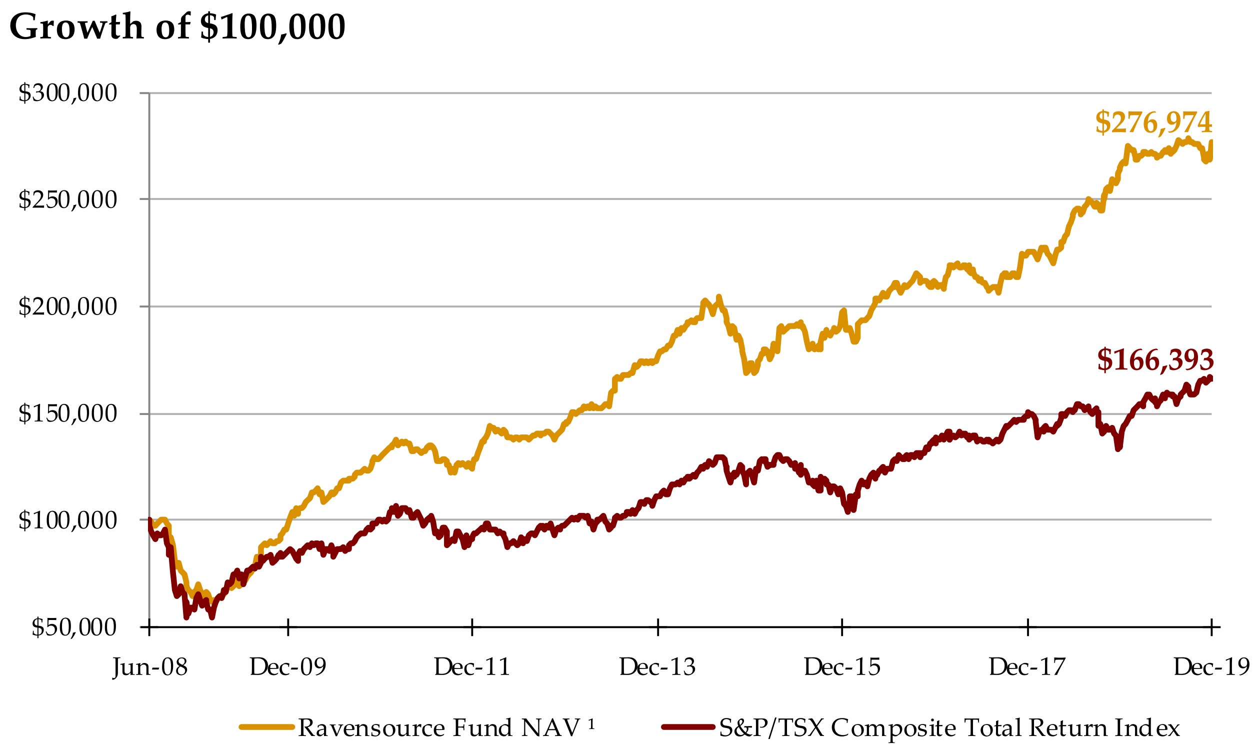
About Stornoway Portfolio Management ("Stornoway")

Stornoway was appointed the Fund's Investment Manager on July 1, 2008 to execute Ravensource's investment mandate. Stornoway took over the management of Ravensource from Pat Hodgson. Pat was our partner, an extraordinary investor and a true buccaneer who in 2003 transitioned Ravensource from investing in debt of Asian companies — the Fund was formerly The First Asia Fund — to focus on North American securities. Pat left us with a tremendous legacy that forms the guiding principles we embrace in managing Ravensource.

Stornoway is a Toronto-based, employee-owned investment management firm focused on investing in distressed securities and other out-of-favour investment opportunities that withstand a thorough and disciplined analytical rigor prior to investing and active involvement thereafter. The Stornoway Team is comprised of Brandon Moyse, Daniel Metrikin and Scott Reid on the investment side while Mahesh Shanmugam manages our operations. Our bios and our approach to investing can be found on the Ravensource website. In addition to Ravensource, Stornoway manages the Stornoway Recovery Fund LP ("SRFLP"), a limited partnership that invests in opportunities that arise from companies that are in or near financial distress.

Past investment performance by the Ravensource Fund is not indicative of future results and there cannot be any assurances that its investment objectives will be achieved. This letter is not a solicitation to invest.

MANAGEMENT'S LETTER TO UNITHOLDERS



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

Dear Fellow Unitholders,

Ravensource Fund's ("Ravensource" or the "Fund") net asset value ("NAV") per unit increased by 4.9% for the year ended December 31, 2019, including distributions received by Ravensource investors over 2019. Unlike 2018 when your investment increased by 17.0%, our 2019 performance was muted both relative to the gains in the broader capital markets and our long-term historical performance.

As time has proven out, we are unlikely to deliver smooth returns year in, year out or echo the experience of the market in general. We will, however, apply our grit and expertise to generate compelling long-term value on your Ravensource investment by capitalizing on idiosyncratic opportunities off-the-radar-screen for most investors. You will see in this letter the key driver of value for our investments is the achievement of specific milestones uncorrelated to market movements. We frequently take a lead role in effecting that change. But to do so successfully can take years of effort with most of our reward coming at the end of this cycle. In 2019, our investments progressed along their path to revitalization and in doing so, we believe have sown the seeds for significant future gains.

You are our partner. Our goal with this letter is to help you better understand your investment by sharing the investment philosophy and approach that guides our decisions. We will also provide a closer look at our results and portfolio developments during 2019 in a candid and open manner. In other words, we will walk you through the value creation opportunities that exist in our portfolio and what actions we are taking to capture them. If you would like to discuss your investment in more detail, please reach out to us. Our proverbial door is always open to you.

Investment Performance

Ravensource's portfolio generated a return of 7.1% before fund expenses and management / incentive fees. The investments that have made the most significant contributions — positively and negatively — to Ravensource's performance during 2019 are as follows:

Investment	2019 Gross Return on Investment	Impact on Fund [1]
Dundee Corp.	52.5%	3.4%
Spanish Broadcasting System Inc.	15.3%	1.2%
Firm Capital American Realty Partners Corp.	11.0%	0.8%
Plaza Retail REIT	28.4%	0.7%
GXI Acquisition Corp.	32.6%	0.7%
Crystallex International Corp.	(2.7%)	(0.8%)
Genworth Financial Inc.	(10.0%)	(1.0%)
Other [2]		2.1%
Pre-expense / Incentive Fee Investment Return		**7.1%**

[1] Increase in NAV due to investment's total return for the period

[2] Includes other asset investment returns

We would like to share with you what specifically drove this year's results.

Dundee Corp. ("Dundee")

Through a combination of an increase in market prices and dividends earned, our investment in Dundee's preferred shares was our top performer in 2019, generating a total gross return of 52.5% and increasing the value of your Ravensource investment by 3.4%.

Dundee is a Canadian, publicly listed holding company (TSX: DC.A) with investments across a broad spectrum of industries. Ravensource has an investment in Dundee's Series 2 & 3 preferred shares, which are the highest-ranking securities in Dundee's capital structure. We believe the preferred shares are mis-priced – the company's tangible assets are worth several times our purchase price of approximately $12 per $25 preferred share – and there are win-win restructuring initiatives to capitalize on the mis-pricing that the Stornoway Team can help actualize.

Our 2019 performance was a result of actions taken by Dundee to de-risk itself and create material asset value of which the preferred shareholders were the prime beneficiaries. Stornoway identified and advocated certain of these initiatives directly to Dundee's CEO in late 2018 and early 2019. Most importantly, Dundee removed the #1 risk facing our investment by converting $82 million of Series 5 preferred shares that ranked equally with our preferreds into common shares that rank behind us (the "Equitization"). In effect, we jumped the queue to the claim on Dundee's assets.

While the Equitization was *the watershed moment*, other value-enhancing milestones in 2019 included non-core asset sales; a buyback program for our Series 2 & 3 preferreds; and Dundee Precious Metals completing its second gold mine, enabling the initiation of a dividend to Dundee.

Despite its increase in price over 2019, Dundee's preferreds continue to trade at just 60 cents on the dollar. This large discount persists even though the market value of Dundee's publicly traded stake in Dundee Precious Metals alone is worth 2.7x the preferred shares' market price, and Dundee's common shares have a market capitalization of more than $115 million despite ranking behind the preferred shares. If the markets are rational, our preferred shares should trade closer to $25. But to do so, it will take a more encompassing solution than the company has embarked on to date.

In 2019, much was achieved to de-risk Dundee and increase the value of our investment. However, neither we — nor the market — are satisfied. Dundee must aggressively expand its efforts to stream-line its bloated overhead, sell non-core assets and opportunistically restructure its liabilities. Rest assured, in 2020, we will up our ante and intensify our engagement with the company to enhance Dundee's stakeholder value and capture the value lying dormant in its preferred shares.

Spanish Broadcasting System Inc. ("SBS")
Spanish Broadcasting System Inc. is a U.S. publicly listed (OTC: SBSAA) Spanish-language media company that operates radio and television stations in the top U.S. Hispanic markets, including LA, Miami, NYC and Puerto Rico. We invested in SBS's Series B Preferred Shares in July 2017 and its 12.5% Secured Notes in January 2018. Its performance in 2019 was generated from an increase in the market price of the preferred shares along with clipping the Secured Notes' 12.5% coupon.

Spanish Broadcasting is the quintessential "good company, bad balance sheet" opportunity we have successfully invested in many times in the past. It has industry leading margins, coveted ratings and market share growth, and strong unlevered free cash flow. It also has a broken capital structure. SBS funded its growth with debt and preferred shares so that the founding family could maintain control. Trouble is, SBS' acquisitions failed to produce enough free cash flow to pay both interest on its debt and the preferred share dividends.

Missing those dividends triggered a powerful set of rights for the preferred shareholders, restricting the company from refinancing its Secured Notes when they were due in April 2017. Harsh medicine to be sure but those were the terms SBS agreed to. Since then, SBS has been in financial paralysis, with the common and preferred shareholders unable to agree on a restructuring plan. Our objective is to match SBS' great business with a strong balance sheet to allow it prosper.

Throughout 2019 we worked hard to progress the restructuring. Our efforts were concentrated on engaging with the controlling secured noteholder and shareholder to cure its capital structure issues. By December 2019, the company publicly announced it was preparing to engage in restructuring negotiations. This caused the market price of the preferred shares to increase by 16% as the market got its first glimmer of hope that the paralysis would end.

While the inter-stakeholder challenges remain, we are optimistic the steps taken and progress we achieved last year will set in motion a restructuring in 2020 and provide us with the path to capture significant return on investment once the task at hand is complete.

Genworth Financial Inc. ("Genworth")
Genworth is a publicly listed (NYSE: GNW) holding company with mortgage, life and long-term care insurance operations in the U.S. and Australia. We purchased the bulk of our position in

February 2017, at a cost of approximately $3.75, a few months after Genworth agreed to a buyout from China Oceanwide Holdings Group ("Oceanwide") for $5.43/share in cash.

Genworth's shares have persistently traded at a large discount to the buyout price, on average 29% since announcement. Such high returns are rare in the merger arbitrage world, reflecting Genworth's orphan status: merger arbitrage investors are staying away due to Trump's stance against China while value investors have been burned one too many times by Genworth to get involved. Our analysis concluded that the deal was likely to close which would result in a healthy return, but that if it didn't, our average purchase price was low enough to earn a profit if the deal failed and Genworth remained a stand-alone, publicly listed entity. A win-win opportunity with parallels to our successful investment in HBC, which you will read about later in this letter.

By late 2018, the deal appeared on track before tensions between Canada and China flared up over the Huawei affair, holding up Canadian regulatory approval. Genworth ended up selling its Canadian operations in August 2019 to Brookfield; however, previously obtained approvals from U.S. state insurance bureaus then expired. Those re-approvals were pending as of December 2019, trying many investors' patience. As a result, our investment in Genworth's common shares fell from $4.66 to $4.40 during the year, making it the largest detractor from our performance in 2019.

In our view, 2019 was a year of meaningful de-risking for both branches of our thesis. By selling its Canadian operations, Genworth overcame a key stumbling block to completing the Oceanwide transaction. The Canada sale also generated substantial cash proceeds enabling Genworth to pay down debt and be a stronger stand-alone company if the deal fails. Despite this progress, Genworth's share price fell, widening the gap between price and value. If we are right and the deal closes, we will earn a 23.4% return from 2019's closing price, while if we are wrong, we believe we still stand to gain albeit over a longer period of time. As a result, Genworth remains compelling.

Crystallex International Corp. ("Crystallex")

The market price of Crystallex's 9.375% senior notes (the "Senior Notes") declined during the year, modestly decreasing the value of your Ravensource investment in 2019 by 0.8%. Given it is our largest investment, we would like to bring you current on its state of play.

As a reminder, Crystallex was awarded approximately USD $1.4 billion by the World Bank which the Bolivarian Republic of Venezuela ("Venezuela") is required to pay. If it fails to do so, Crystallex can seize its assets. In turn, Crystallex owes its secured lenders USD $140 million and its Senior Noteholders more than USD $270 million, which continues to accrue interest, as of December 31st, 2019. If (and when) Crystallex collects from Venezuela, we will be repaid with the proceeds, generating more than a 100% return on our investment from today's price. We believe our patience and efforts will be well rewarded for the extended period we have owned this investment.

Our conviction is founded on the evidence that Venezuela has significant strategic assets in the U.S. and is motivated to repay Crystallex rather than to lose them by seizure. To date, Crystallex has successfully collected approximately USD $500 million in cash and marketable securities. More significantly, in late 2018, the U.S. court system granted Crystallex the ability to seize and sell

Venezuelan-owned CITGO Petroleum Corporation ("CITGO") which is worth far more than the USD $1 billion Crystallex is still owed. Venezuela lost its appeals in July 2019 and November 2019, clearing the path for Crystallex to sell CITGO.

However, in November 2019, as part of its bid to oust Venezuelan President Nicolás Maduro, the U.S. expanded its sanctions that directly impede Crystallex's ability to sell CITGO — or other Venezuelan securities it may own — anytime soon. The price of our Senior Notes fell in response, giving back the gains registered earlier in the year that resulted from its legal victories. What one arm of the U.S. Government giveth, another arm taketh away.

Admittedly, the U.S. Government's recent actions will delay our final reward. However, we believe that ultimately Crystallex will pay us off and we will earn a very attractive return on our investment. If it takes us a further two years, we stand to earn more than a 45% annualized return on our investment from current prices. As one of three members of the ad hoc Committee of Senior Noteholders, we have been very actively involved in protecting our investment and achieving a successful outcome. However, until these obstacles imposed by the U.S. Government are removed, we expect the Senior Notes to trade at a substantial discount to what we are owed.

Long Term and Relative Performance

The Fund's objective is to produce significant long-term returns for its investors regardless of market conditions. This is called "absolute" performance and the first part of this letter outlined the Fund's investments that have contributed to — or detracted from — attaining this objective.

While you likely share our objective, you may also want to measure how we do against the broader investment universe. To facilitate, we have identified several indices — see Appendix 1 for descriptions — appropriate due to their relationship to one of our three investment strategies. Given the idiosyncratic nature of the Fund's investments, we have not uncovered one index that sufficiently resembles Ravensource to the degree it should be considered / used as a benchmark.

The following table outlines the historical performance of Ravensource and the various indices. Please note that all returns are calculated on a total return basis and only reflect the Fund's performance since Stornoway became Ravensource's Investment Manager in July 2008.

	Annualized Total Return				Since July 1, 2008	
	1 Year	3 Year	5 Year	10 Year	Annual	Total (2)
Ravensource Fund (1)	**4.9%**	**9.5%**	**9.9%**	**11.0%**	**9.3%**	**177.0%**
S&P/TSX Composite Total Return Index	22.9%	6.9%	6.3%	6.9%	4.5%	66.4%
S&P/TSX Small Cap Total Return Index	15.8%	(0.9%)	3.2%	3.1%	1.6%	20.5%
ICE BofAML US High Yield Index	14.4%	6.3%	6.1%	7.5%	8.0%	142.0%
Credit Suisse Distressed Hedge Fund Index	1.4%	2.3%	1.5%	4.2%	3.4%	47.6%

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

(2) Un-annualized return.

As one can see from table, Ravensource underperformed most reference indices in 2019 as the capital markets in general recovered most of its 2018 losses in 2019. We remind you that in 2018, we generated a 17% return when most other investment funds and indices lost money.

However, we are not interested in short-term results. We believe the Fund's investment performance must be judged over a longer time horizon as it reveals whether the investment process is repeatable and can weather the ups and the downs of the market. In addition, that approach is consistent with our objective to create long term capital appreciation for our investors and the 2- to 4-year period it typically takes to achieve value-creating milestones and for the market to recognize the value we did at the time of investment.

Consistent with this objective, Ravensource's long-term performance sits on the top of the table. Since Stornoway began managing Ravensource in July 2008, the Fund's NAV per unit has increased by 177.0% in total / 9.3% on an annualized basis, including re-invested distributions. By comparison, the S&P/TSX Composite Total Return Index has increased by 66.4% in total / 4.5% annualized over the same time period. If you had invested $100,000 in July 2008, a Ravensource investment would be worth $110,581 / 66% more than a similar investment in the S&P/TSX over this time period.

Fund Liquidity and Investment Activity

Starting 2019 with 26.8% of the Fund's assets in net cash, our net cash was reduced to 20.4% by December 31, 2019, as investment purchases outpaced divestitures and other cash raising activities. The sources and uses of the Fund's net cash during the year are outlined in the following table:

	Amount	per Unit	% of NAV (1)
Sources			
Investment Divestitures	4,919,894	2.94	16.6%
Other Income	604,611	0.36	2.0%
Dividends and Interest	808,166	0.48	2.7%
Total	6,332,671	3.79	21.3%
Uses			
Investment Purchases	6,866,372	4.10	23.1%
Operating Expenses	618,758	0.37	2.1%
Distributions to Unitholders	501,861	0.30	1.7%
Total	7,986,991	4.77	26.9%
Change in Net Cash	(1,654,320)	(0.99)	(5.6%)

(1) % of December 31, 2019 NAV

In 2019, our focus was to concentrate our investment efforts on the situations where we could most effectively apply our "edge" – our expertise, active involvement, creative approach to solving the complex issues ripe in investing in distressed securities, alternative credit and special situations equities. We were repaid in full consistent with our thesis on one bond investment, achieved successful exits on a number of smaller investments, added two new investments and capitalized on opportunities to increase our positions in certain existing investments.

Divestitures
We divested approximately 16.6% of the Fund's net assets during 2019. Most notably, we were repaid on our convertible bond investment in Flow Capital Corp. and crystallized our investment in Plaza Retail REIT. We also divested our positions in Swiss Water Decaffeinated Coffee Inc., Supremex Inc., CanWel Building Materials Group Ltd., and Glacier Media Inc., at attractive prices which we determined no longer merited our investment.

Flow Capital Corp. ("Flow")
We frequently invest in distressed companies that have an otherwise good underlying business but are plagued with a bad balance sheet and apply our expertise to fix them. Flow was the opposite. Flow is a publicly listed Canadian company (TSXv: FW) that provides capital to small and medium sized businesses, primarily in exchange for revenue royalties. The trouble was that Flow's management team were bad capital allocators and many of their royalty investments defaulted, resulting in large losses for Flow's investors. Reflecting that poor performance, the company's convertible debentures traded at a substantial discount to par. Surviving our stringent analysis, we commenced purchasing them in late 2016 at $75 per $100 face value.

Our analysis supporting our investment decision showed that even if Flow kept losing money, its cash and royalty portfolio were worth enough to repay its debentures in full. If we were wrong, we would get the keys to the business instead of cash at maturity and had some creative ideas on how to restructure it. We slowly bought more than 1/3rd of the debentures, giving us negative control that would protect us against any attempt to harm our rights.

But in the end, Flow sold a portion of its royalty portfolio as well as its third-party funds marketing business in 2019, generating cash proceeds in excess of what they owed their debenture holders. Consistent with our thesis, in December 2019 we were fully repaid at 100 cents on the dollar. Given our average purchase price of $82.05 per $100 face value, we earned an attractive 20.6% annualized return over the life of our investment.

Investment Purchases
During 2019, we established new positions in Hudson's Bay Co. common shares and Delphi Energy Corp. while making strategic additions to our existing positions in Quad/Graphics Inc. common shares, Genworth Financial Inc. common shares, Crystallex International Corp. 9.375% senior notes, and Dundee Corp. preferred shares.

Delphi Energy Corp. ("Delphi")
Delphi is a small, liquids-rich energy producer located in the Montney area of Alberta. Despite a solid asset base, Delphi failed to capitalize on it. As a result, the company struggled and flirted with insolvency. Like many small-cap energy companies, Delphi's access to traditional capital markets has been cut off for years and needed a lifeline to avoid bankruptcy.

In October 2019, we helped support a rescue financing package led by Luminus Management, Delphi's controlling shareholder and bondholder. Delphi raised both equity and 10% senior secured notes, priced at $75 per $100 face. The recapitalization provides the company with funds to drill new wells — a very high return on capital use — reduce debt, and helping it better execute an operating turnaround. As part of the terms of the recapitalization, the funds raised were placed into escrow in three tranches, released only if the company achieved certain milestones.

Our investment was heavily tilted towards the secured notes. At a price of $75 per $100 face, we are investing in Delphi on a secured basis and at a substantial discount to its asset value while earning an attractive yield of 20.3%. Since the recapitalization, Delphi's security prices fell further. We once again reviewed our analysis and decided to purchase additional senior secured notes at yields approaching 30%. We believe the Delphi opportunity is attractive but remain cautious given the state of the energy markets and hence it is a relatively small position for the Fund.

Hudson's Bay Corp. ("HBC")
As is often the case with many of our investments, our first bite at the apple is rarely the last. Circumstances and risk profiles change and frequently our conviction grows as the depth of our knowledge and analysis increases. This is our "edge".

We initiated a position in HBC in June 2019 shortly after the first take-private offer of $9.45 per share was announced. We believed both the market and HBC Chairman Richard Baker's bidding consortium (the "Consortium") were significantly undervaluing the company. Our thesis was the Consortium would have to raise its bid in order to consummate the deal, or if the bid failed, the value maximization plan the Consortium had identified would still be executed, only now with all shareholders benefitting. This second pathway – that the bid could fail and in the long-run shareholders would be better off – was a key distinction between our analysis and the market's. The market was treating this as a simple merger arbitrage: if the deal closes minority shareholders would get the buyout price and if it failed HBC would go back down to its pre-deal price.

Indeed, as minority shareholders became more vocal in their opposition to the Consortium's bid, a group with significant enough clout to scuttle the deal emerged. As it was looking increasingly unlikely the Consortium's bid would be successful, HBC shares traded materially down in price in November and December 2019. Our thesis, however, remained intact, and we materially increased our position at these depressed prices over December 2019 and potentially magnifying the return on our HBC investment.

Note: On January 6, 2020, Mr. Baker and his consortium reached a deal with a significant portion of minority HBC shareholders to take the company private at $11.00 per share. The deal closed on March 3, 2020. Ravensource sold its position in late January 2020 at $10.91 once the deal was effectively priced in.

Quad/Graphics Inc. ("Quad")
Quad is a U.S. publicly listed (NYSE:QUAD) commercial printing and marketing services company based in Wisconsin. It is the second largest commercial printer in North America, with a broad range of products and services including direct mailings, catalogs, magazines, ad campaign design and analytics. Despite its strong market position and free cash flow generation, as a small cap company in an out-of-favour industry, Quad's investor following was narrow and focused on its dividend.

In the fourth quarter of 2019, Quad reduced its 2019 guidance and more dramatically, cut its dividend by 50% to focus on accelerating debt paydowns. The move surprised the market and sent Quad's shareholders streaming for the exits —their once-juicy yield was suddenly effectively halved. As a result, the company's stock price fell from just over $11 to around $4, a 60%+ decline.

This wave of dividend-oriented selling caused price and value to become deeply disconnected. We determined the actual underlying cash flows produced by the business had not changed much — simply put, Quad stock was not worth 60% less the first week of November than in the last week of October just because it cut its dividend. On the back of their panicked selling, we opportunistically increased our small legacy position at prices we believe offer potential upside of 65%. To now reconnect those dots between price and value, Quad is focused on generating free cash flow, paying down debt and re-establishing its credibility in the market. It may take time for this contrarian investment to bear fruit for Ravensource, but we believe the company has set itself on the right path albeit the proverbial least-travelled one.

Distributions

Ravensource's distribution policy is to make semi-annual distributions to unitholders in an amount to ensure that it does not incur any tax while providing a reasonable yield. Total distributions over 2019 amounted to $0.30 per unit, unchanged from $0.30 per unit paid in 2018.

Operating Expenses

Ravensource's operating expenses include management fees, trustee fees, TSX listing fees, borrowing costs, accounting expenses, IRC costs, professional expenses, transaction costs and other sundry operating expenses. The table below shows how these expenses reduced the Fund's gross return on investment to arrive at the Fund's net investment return in 2018 and 2019. Please note, operating expenses as expressed below are not to be confused with the Management Expense Ratio ("MER"). Operating expenses for the purposes of MER are calculated using the Fund's *average* net assets during the period while operating expenses as expressed below are calculated using the Fund's *starting* net assets for the period. The MER also excludes transaction costs. For further details regarding the Fund's MER, please refer to the Management Report on Fund Performance.

	Dec 31, 2019	Dec 31, 2018	YoY Change
Pre-expense / Incentive Fee Investment Return	**7.14%**	**22.84%**	
Less:			
Audit and accounting fees	0.22%	0.23%	(0.01%)
Legal fees	0.39%	0.40%	(0.01%)
Management, administrative and IR fees	1.21%	0.87%	0.34%
Other operating expenses	0.44%	0.79%	(0.35%)
Total Expenses Before Incentive Fee	**2.26%**	**2.29%**	**(0.03%)**
Pre-Incentive Fee Investment Return	**4.88%**	**20.55%**	
Less:			
Incentive Fee	0.00%	3.53%	
Ravensource Fund Net Investment Return	**4.88%**	**17.02%**	

For the year ended December 31, 2019, Ravensource's operating expenses, excluding the incentive fee, was 2.26%, effectively unchanged from 2018's levels. The decrease in 2019's other operating expenses (35 basis points) due to lower interest costs were largely offset by an increase in management, administrative and IR fees (34 basis points). To be clear, the Fund's IR and its 1% pre-HST management and administrative fees, have not changed since 2003. Rather, over the past 5 years or so, we were able to substantially reduce the Fund's net management fees as Stornoway Portfolio Management passed on fees earned for providing strategic and financial advisory services to Specialty Foods Group. These advisory fees went away in Q3 2018 when we sold Specialty Foods Group on October 1, 2018.

Incentive Fee

As detailed in the Portfolio Management Agreement, the Investment Manager is entitled to an 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 over and above the 5% hurdle rate, plus any shortfalls from prior years (the "Incentive Fee").

As Ravensource's investment portfolio generated a return of 4.88% after expenses but prior to the Incentive Fee over 2019, the Incentive Fee was nil versus 3.53% in the 2018. The decline in the Incentive Fee was due to the drop off in Ravensource's performance versus the 17.02% return we chalked up over 2018. This relationship between the Incentive Fee and Fund's performance highlights Stornoway's alignment with you, the Fund's investors. Simply put, we do better when you do.

Risks

We define risk as the potential for a permanent loss of capital on an investment. While assumed at the time we make an investment, risk of loss is clearly a dynamic metric that for us varies primarily as a result of attaining – or failing to attain – key milestones such as reaching a restructuring agreement, closing of merger agreement or repayment of a loan. Over the life of an investment, our process carefully considers its risk and the impact that it has on our portfolio, making changes to the size of our investment or the actions we take when warranted.

The most effective risk management tools we employ are: to establish a large "margin-of-safety" upfront by investing at prices substantially below what we believe is the intrinsic value, structure our investment to mitigate the risk of loss; and become actively involved to ensure that our rights and recoveries are protected. Through these mechanisms and processes, we can substantially lower the risk of loss over the time of investment while increasing the potential for returns. Despite our thorough analysis, active involvement and paying a thrifty price, sometimes we are wrong, ineffective in de-risking the company, or the potential of an investment does not materialize exposing our investors to a loss.

We also note that there will be likely be mark-to-market gains and losses throughout the life of a given investment. While our investments are idiosyncratic and typically very uncorrelated to most asset classes, when markets become disrupted – as was the case in 2008 and likely again in 2020 – there will be a flight to the most liquid of assets. As we invest in un-loved and under-followed opportunities, often providing liquidity to stressed investors and companies alike, Ravensource can be particularly exposed to what we believe are temporary market losses during flights to quality. During these times, we may capitalize on this rush to liquidity by prudently increasing our investment if the opportunity is compelling and the underlying company has enough liquidity to ride out the storm.

In addition to the risks specific to a particular investment, the Fund is exposed to changes in foreign exchange rates, interest rates, credit conditions and other economic factors as described in the Annual Information Form, on the Ravensource website and in the notes attached to our financial statements. We encourage all investors to carefully read the Fund's financial statements, including the additional disclosure in the notes to the financial statements, as we do prior to investing.

There has been no change in the Fund's stated investment strategy or in the execution of the investment mandate that would materially affect the risk of investing in Ravensource during 2019. We continue to believe the Fund is suitable for those investors seeking long-term capital growth rather than income, 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.

Portfolio Composition

To give you a better understanding of the risks to which Ravensource is exposed, we have broken out the portfolio by investment strategy and concentration.

Investment Portfolio by Strategy

During 2019, the investment portfolio's weightings remained relatively similar to 2018. However, this was not a product of a decision at the strategy level as we do not target specific strategy weightings. Rather, we select the most attractive investment opportunities wherever they are found. During 2019, Ravensource exited and established positions relating to all three investment strategies.

By Investment Strategy	**% of Investment Portfolio**	
	31-Dec-19	**31-Dec-18**
Special Situation Equities	37.4%	38.3%
Distressed Securities	55.1%	54.1%
Alternative Credit	7.5%	7.6%
Total	**100.0%**	**100.0%**

Concentration

We believe that the most effective method to reduce/manage risk is to know your investments inside and out, be actively involved and have sufficient influence on them to help effect change such as a restructuring. This will often lead to Ravensource having a more concentrated portfolio than other investment funds. Ravensource's position limit is 10% on a *cost* basis for a given corporate entity. For investments that we have our highest conviction in, we will invest up to the limit if prudent. Post our investment, market fluctuations may increase an investment in excess of 10% of the Fund's net assets on a *market value* basis.

As of December 31, 2019, the Fund had seven investments exceeding 5% of NAV on a market value basis. The top 10 investments ranked by market value, excluding cash, represented 78.5% of NAV as of December 31, 2019. We expect that the Fund will continue to concentrate our capital in positions that we know the best and where we hold the strongest convictions.

"Skin in the Game"

The Stornoway Team is passionate about the approach and philosophy that drives our investment decisions, our active involvement in the companies we invest in, and the steps we take to reduce risk and generate compelling long-term investment returns. We believe that an investment manager should have significant "skin in the game", sharing in the risk and reward of our decisions alongside other investors. Accordingly, each member of the Stornoway Team has a substantial personal investment in Ravensource and as of December 31, 2019, I owned approximately 9.8% of the total units of Ravensource outstanding. In short, we eat our own cooking. We are your partner.

Team Update

I am pleased to announce that Brandon Moyse and Daniel Metrikin have been recently promoted from their position of Investment Analyst to Partner of Stornoway. They have certainly earned it. Brandon and Daniel, and our operations expert Mahesh, have not only deepened our expertise but have injected energy into Stornoway from which we all have benefited. Along with you, my fellow unitholders, I am very fortunate to be surrounded by such trusted and gifted partners.

Concluding Remarks

Over the course of this letter, we have shared with you the developments and actions taken over 2019 to de-risk, create and capture value on our investments. Despite our skinny returns, it was a year of tremendous progress as many of our investments made significant strides towards revitalization. Such progress makes us optimistic about the potential of our investment portfolio to generate significant future returns.

However, I write this review amid the COVID-19 pandemic. Investor greed has turned into fear and panic. Everyone is searching for the elusive safe haven but there is really no place to hide. We at Stornoway cannot predict where the market will go from here — that is not our skill set nor our value proposition to you as investors. Our capital remains allocated to those long-term investments where we have the strongest convictions and there is a clear path to achieve our identified result rather than trying to profit by anticipating short-term market gyrations. While we believe our investment theses are largely intact, we acknowledge COVID-19 will likely delay the time to which we will be ultimately rewarded.

The Stornoway Team sits on a unique perch as we are one of few investors with a long-term track record of successfully capitalizing on Canadian distressed opportunities. Further, Ravensource currently has more than 25% of its net assets in cash, allowing us to be the hunter rather than the hunted. Over the coming months, there will be opportunities to both deepen our existing investments at compelling prices and to establish new investments that will likely fall out from this global shock. However, we will be patient and prudent when deploying / reducing capital and will not sacrifice our due diligence. As we have proven in the past, we will take action only when the opportunity is compelling and we have a discernible edge. Our contingency plans, established well before COVID-19, allow us to take decisive action to protect your capital. We will continue to monitor this global health crisis and adapt accordingly to keep our partnership strong.

In writing this review, we wrestle with the twin objectives of being thorough yet succinct. We recognize that despite our effort to cut to the essentials, there remains a lot of information to digest. We are available via phone and/or in person to discuss your investment further. Please don't hesitate to contact us. We always look forward to hearing from unitholders and enjoy discussing our investments and strategy with you.

On behalf of Brandon, Daniel, Mahesh and me, we greatly appreciate the partnership, trust and long-term perspective of our fellow investors, aka you. We are dedicated to protecting and growing your capital for years to come.

Be well and stay healthy.

Scott Reid April 2020
President and Chief Investment Officer
Stornoway Portfolio Management Inc.
Investment Manager of the Ravensource Fund

Appendix 1 - Ravensource's Use of Comparable Indices

Given the idiosyncratic nature of the Fund's investment strategy, the Investment Manager does not believe there is an index that sufficiently resembles the Fund to the degree it should be considered or used as a "benchmark". However, the Investment Manager provides historical performance data for several indices in addition to the results of the Fund for comparison purposes. The Investment Manager has chosen indices that it believes are relevant to the investment mandate of the Fund and / or to capital markets in general. However, while each of these indices overlap with certain aspects of the Fund's mandate, none of them share significant similarities with the Fund's investment portfolio:

- The S&P/TSX Composite Total Return Index ("S&P/TSX") is the principal broad-based measure commonly accepted by investors to measure the performance of Canadian equity markets. The S&P/TSX is a relevant index for comparison purposes as the Fund's investment portfolio contains Canadian equity investments and the Fund's debt investments are frequently converted into equity securities as part of the restructuring process. However, the performance of the S&P/TSX will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the S&P/TSX.

- The S&P/TSX Small Cap Total Return Index ("TSX Small Cap") tracks the performance of the Canadian small cap equity market. The TSX Small Cap is a relevant index for comparison purposes as the Fund invests in Canadian small cap companies that are attractively valued with catalysts to unlock value. However, the performance of the TSX Small Cap will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the TSX Small Cap.

- The ICE BofAML US High Yield Index ("BAMLHY") is a USD-denominated index that tracks the performance of USD, sub-investment grade rated corporate debt. BAMLHY is a relevant index for comparison purposes as the Fund invests in corporate debt securities that are rated below investment grade. However, the Fund's investment portfolio also includes defaulted debt and equity securities which are not included in the BAMLHY and thus the Fund's performance may vary greatly from BAMLHY.

- The Credit Suisse Distressed Hedge Fund Index ("CSDHFI") is a USD-denominated index that tracks the aggregate performance of investment funds that focus on investing in companies that are subject to financial or operational distress or bankruptcy proceedings. The CSDHFI is a relevant index for comparison purposes as the Fund's investment mandate broadly overlaps that of the funds that make up the CSDHFI. However, it is likely that the composition of the Fund's investment portfolio is unique from these peers and thus the Fund's performance may vary greatly from the CSDHFI.

As the Fund makes idiosyncratic investments in securities which are overlooked by the capital markets, the Fund's investment portfolio contains investments that are not likely included in any of the above indices and thus an investment in the Fund should not be considered a substitute or proxy for the underlying index. For the reasons stated above, these indices should not be considered a benchmark for the Fund and there can be no assurance that any historical correlation or relationship will continue in the future. Index data is provided by Credit Suisse and ICE Data Services.

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