RAVENSOURCE
FUND

MANAGEMENT'S LETTER TO UNITHOLDERS

FOR THE SEMI-ANNUAL PERIOD ENDED JUNE 30, 2020

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, that are in, perceived to be in, or emerging from financial distress at a price materially different from what we believe to be the underlying fundamental value of the securities.

2. *Alternative Credit:* Investing in corporate debt, on either a primary or secondary basis, that is reasonably expected to be repaid at or above par at or before its stated maturity in a manner consistent with the terms of its indenture and 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")

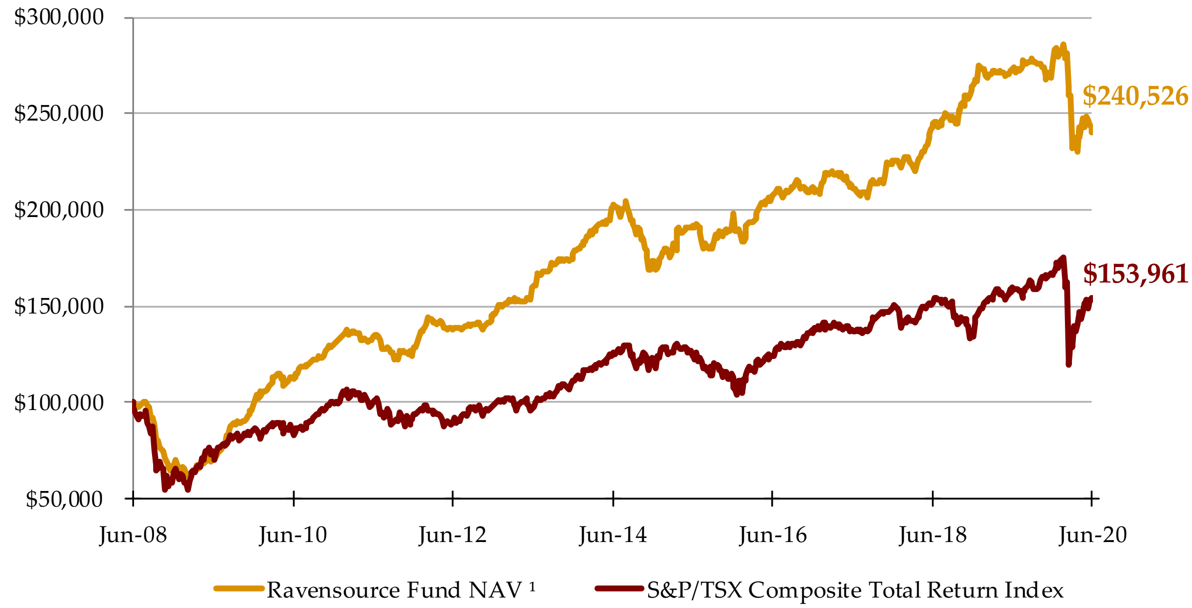
Stornoway was appointed the Fund's Investment Manager on July 1, 2008 to execute Ravensource's investment mandate. Stornoway took over the management of Ravensource from Pat Hodgson. Pat was our partner, an extraordinary investor and a true buccaneer who in 2003 transitioned Ravensource from investing 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

Growth of $100,000



(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 decreased by 13.2% over the first six months of 2020, including distributions received by Ravensource investors so far this year. This represents the first negative start to a year since Stornoway took over managing Ravensource in July 2008.

We abhor losing money. However, we recognize that our contrarian approach, focus on distressed and other out-of-favour securities, and the mere assumption of risk when we invest means there will be times when the market value of our investments will decline. In addition, sometimes there is a shock to the system, COVID-19 being 2020's varietal, that will expose us to losses. I offer these not as excuses, but rather the reality that our investments will not go up in a steady march, nor will Ravensource's results mirror that of the market.

Across most capital markets, 2020 has been defined by the presence or absence of liquidity, whether that be for investors, companies, or the securities that transact in the markets. When the impact of COVID-19 was first felt in March, investors and companies alike rushed to sell shares or otherwise raise capital to bolster liquidity to endure the economic uncertainty. With few willing buyers, prices fell precipitously. By mid-April though, investors began to redeploy their excess cash, but only in the most liquid of investments, causing them to rebound to, or even exceed, pre-COVID-19 prices while leaving illiquid securities languishing far behind.

The market's current preoccupation with liquidity highlights the difference between us and other investors. We provide liquidity — at fire-sale prices — to investors who lack our skillset and patience, or directly to companies orphaned by the capital markets and then apply our grit, expertise, and capital to help revitalize them. We do not rely on buying bonds and equities from Peter when the market goes down in hopes of later selling to Paul if the market goes up as most other investors do. Rather, the bulk of our gains come from solving a company's fundamental issues and then exiting through a strategic transaction to a buyer who will pay for the value that has been created. Dundee and HBC, our two largest positive contributors to performance so far this year, are good examples of this approach. As a result, our performance is unique from other funds and can provide a powerful diversifying impact on your portfolio. However, our idiosyncratic approach takes time to generate results, and there will be periods during an investment cycle when we will test your patience and fortitude. This is one of those periods.

You are our partner. Our objective is to meaningfully increase the value of your investment over the long term. Our goal with this letter is to help you better understand your investment by sharing the philosophy and approach we take to meet that objective. We will also provide a closer look at our results and portfolio developments over the first half of 2020 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 loss of 12.0% before fund expenses and management fees. The investments that have made the most significant contributions — positively and negatively — to Ravensource's performance over the first half of 2020 are as follows:

Investment	2020 Gross Return on Investment	Impact on Fund [1]
Dundee Corp.	10.9%	1.1%
Hudson's Bay Co.	10.1%	0.7%
GXI Acquisition Corp.	(14.8%)	(0.5%)
Firm Capital American Realty Partners Trust	(15.6%)	(1.4%)
Quad Graphics Inc.	(22.0%)	(1.5%)
Delphi Energy Corp.	(44.5%)	(1.8%)
Spanish Broadcasting System Inc.	(20.1%)	(1.8%)
Crystallex International Corp.	(12.0%)	(2.5%)
Genworth Financial Inc.	(47.5%)	(4.5%)
Other [2]		0.2%
Pre-expense / Incentive Fee Investment Return		**(12.0%)**

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

[2] Includes other asset investment returns

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

Dundee Corp. ("Dundee")

Dundee is a publicly listed (TSX: DC.A) holding company with investments across a broad range of industries. Over the first half of 2020, our investment in Dundee's preferred shares was Ravensource's strongest performer, generating a 10.9% mark-to-market gain and increasing the Fund's NAV by 1.13%. We would like to review some recent developments and why Dundee preferred shares remain a very compelling investment.

Dundee's preferred shares hit our radar screen in August 2018 when they were trading below 50 cents on the dollar. As contrarian investors who focus on what others throw away, we smelled an opportunity and started to dig to determine if Dundee's preferred shares merited our capital. Our analysis concluded Dundee's assets were clearly worth more than the preferreds' $25 face value, with Dundee's stake in publicly traded gold miner Dundee Precious Metals ("DPM") alone exceeding the preferreds' market price. Secondly, Dundee has no parent-level debt, meaning the preferred shares have first dibs on its assets. Lastly, most investors hate preferred shares, and they really hate Dundee's due to its track record of destroying stakeholder value. Their disdain provided us with the opportunity to buy a significant amount of preferred shares at effectively fire sale prices.

What differentiates us are the actions we take after we make an investment. We roll up our sleeves, applying our grit, expertise, and creativity to effect change and capture the value we identify at the time of investment. In the case of Dundee, we looked to close the gap between our $12 cost and the preferreds' intrinsic value of $25, a potential 100%+ return for our investors. However, Dundee's future is challenged by its misaligned capital structure as its assets consume cash in the hope that future capital appreciation will make up for today's burn. This is risky enough when a company has high overhead costs; layering on preferred share dividends makes it unsustainable. Factoring in the 40% Part VI tax on those dividends and that dividends are not tax deductible (unlike interest), Dundee's preferred shares have a very expensive cost of capital. Soon after investing, we engaged with Dundee to socialize a shared win-win solution for its common and preferred shareholders that aligns its capital structure with its assets and ambitions to invest in junior mining projects.

In May 2020, Dundee delivered a breakthrough on our investment thesis by selling 2/3rds of its stake in DPM and issuing a 1-year call option on the rest. Any doubts the preferred shares are currently worth $25 should have been eliminated by Dundee's conversion of junior gold mining stock into cash worth almost $50 per $25 preferred share. Yet, Dundee received a one-handed clap from the market as the preferreds increased in price by less than $1 per share, retaining a 36% discount to their face value. To repeat: most investors hate preferred shares, and they really hate Dundee. Our response: we increased our investment and doubled our efforts to effect change to help ensure Dundee's future was not a repeat of its past.

Critically, the DPM sale provides Dundee with the financial flexibility to fully redeem the preferred shares, enabling it to fix its broken capital structure, reduce its cash burn, and put itself in a position to pursue a variety of strategic paths. However, instead of seizing this opportunity with both hands, on July 22, 2020 Dundee announced a substantial issuer bid only for its Series 2 preferreds at prices between $16.00 to $18.50 per $25 preferred — a mere 12% bump above their previous trading price — while leaving its Series 3 preferreds outstanding. If Dundee receives 100% take-up of its offer, it will only buy back approximately half its preferred shares. We'd be surprised if many holders accept: why sell for 64 to 74 cents on the dollar when the company has 200 cents of cash on hand?

We believe a reasonable offer is at least $20 per preferred share. This price represents roughly halfway between the previous trading price of the preferreds' and their face value, an equitable sharing of the benefits between common and preferred shareholders despite the fact preferred holders are contractually owed $25. At $20, Dundee would create $25 million / $0.25 per share of tangible equity value — an immediate 18% boost to the current market capitalization — and earn a 9.5% *risk-free* yield (factoring in the Part VI tax) in *perpetuity* while eliminating the cash burn from their dividends. Dundee has no better use of capital than fully redeeming its preferred shares.

Dundee's common shareholders should be the strongest proponents of a full redemption; they have the most to lose if they don't. Other investments Dundee may be considering are unlikely to offer such an attractive return, do little to alleviate the suffocating cash burn, and are certainly far riskier. Junior mining is a highly speculative venture in itself and using leverage from preferreds magnifies potential losses: Dundee would only need to lose *30%* of its asset value to erase almost its *entire* market capitalization. In this scenario, the preferreds' margin of safety would erode but their $25 intrinsic value would remain intact. Common shareholders need only look at Dundee's track record — book value per share has fallen by 83% since 2015 — in considering this possibility.

The Board's current penny-wise and pound-foolish approach risks squandering the best opportunity to create value and a sustainable future for its common shareholders. Until Dundee's Board recognizes this fact, and offers a price that reflects the preferreds' position at the top of its capital structure, we are content to hold our investment, earning an 8.7% bond-equivalent yield in an otherwise zero interest rate environment.

Hudson's Bay Co. ("HBC")

In June 2019, Richard Baker, CEO and Chairman of the iconic retailer Hudson's Bay, along with a consortium of financial investors together owning over 57% of HBC's common stock (the "Baker Consortium") announced they were planning to take the company private at $9.45 per share, a 48% premium to the prior trading price of $6.39. The trading activity after a take-over deal is announced up until it closes or is called off is typically dominated by risk arbitrageurs who weigh the potential investment return if the deal closes against the risk of loss if it doesn't. They are disciplined deal junkies: if the deal fails, they will sell, take their losses, and move onto the next "risk-arb" opportunity rather than continue to invest based on fundamentals. From an arbitrageur's perspective, HBC wasn't particularly attractive as it faced significant opposition from minority investors making it very uncertain the deal would receive necessary shareholder approval. With the nearly 50% potential decline back to the pre-deal price if the deal failed, most risk arbitrageurs stayed away.

However, we are not risk arbitrageurs. Rather, we are contrarian-minded investors with a natural curiosity and opportunistic hunger to profit on what the market is missing. Through our analysis, we developed a differentiated view. We believed that the Baker Consortium's decision to acquire the 43% of HBC that they didn't already own was a watershed moment, rendering the pre-deal price no longer relevant. The Baker Consortium – an insider group of financially savvy, patient investors – had spent significant time forming a value maximizing strategy to revitalize HBC. Should its take-private offer be rejected, the Baker Consortium would still pursue their value maximizing plan with the minority shareholders participating alongside them. While "risk arbs" may assign a 48% loss if the deal failed, we viewed that a "failed" deal could actually offer a more attractive return in the long run than if the deal closed as proposed. We also believed that the Baker Consortium decided this opportunity was too attractive to share with the great unwashed minority shareholders and would likely increase their bid to keep the future spoils for themselves.

While there was quite a bit of drama along the way as vocal minority shareholders pounded the table that the buyout price did not reflect fair value, a few bumps to the purchase price were eventually enough to pacify them. Ultimately, the deal was indeed consummated in January 2020 at a price of $11.00 per share, generating a 14.2% total return over the 7 months we were invested and increasing Ravensource's NAV by 0.65% in 2020.

Delphi Energy Corp. ("Delphi")

Delphi is a Calgary-based energy company focused on the Montney region. Despite being highly attractive due to its low production costs, untapped reserves, and valuable infrastructure, Delphi was burdened by too much debt and mediocre leadership to fully exploit these assets. In Q4 2019, we participated in a new capital raise to provide funds for a new drilling program with a very compelling return profile for the company. Ravensource purchased new 10% Senior Secured Notes at $75 per $100 face amount, targeting a 20.3% return on the debt investment as well as a small portion of new common equity. While we believed this was an attractive opportunity, due to our lack of influence on Delphi's success we intentionally kept our investment small at only 4.4% of the Fund when we can invest up to 10%. To further reduce our risk, 2/3rds of our investment was held in escrow, to be released in three stages only upon the achievement of certain milestones.

Delphi completed the planned drilling program in Q1 2020 with results that exceeded expectations. Nevertheless, the company could not withstand the oil price shocks from COVID-19 related demand-side reduction and the supply expansion by Russia and Saudi Arabia. In fairness, as prices fell below $20 per barrel, the entire oil industry was in peril. In April 2020, Delphi defaulted on its bank debt and filed for insolvency protection from its creditors under the Companies' Creditors Arrangement Act ("CCAA"). As a result of its CCAA filing, 1/3rd of the original capital we had committed was fully returned to us at cost as the company failed to reach the final milestone.

The power of CCAA is that it provides a company breathing space to negotiate a restructuring plan with its creditors to avoid bankruptcy and hopefully emerge as a much stronger going concern. Upon Delphi's CCAA filing, we immediately immersed ourselves into the insolvency process to protect the remaining value of our investment, initially through discussions with other noteholders, professional advisors, and the court appointed monitor – PwC – who is overseeing Delphi's restructuring. As the process progressed, we became actively involved in the formation of a restructuring plan to rescue the company from bankruptcy. If Delphi's proposed restructuring plan is approved by its creditors and implemented, the Senior Notes will be converted to common equity in a new, debt-free Delphi, while our existing common equity will be wiped out. We expect our immediate recovery on our Senior Notes will be only $25 per $100 face amount.

Clearly, our original investment has failed: we wrote off our common equity position detracting 0.41% from the value of the Fund and have significantly marked down the value of our Notes, negatively impacting the Fund by an additional 1.46%. However, as we will discuss later in this letter, Delphi is well positioned to prosper on emergence from CCAA, which may materially increase our $25 recovery on our Senior Notes and our active involvement in the restructuring has surfaced an exciting opportunity to deepen our participation Delphi's revitalization.

Spanish Broadcasting System Inc. ("SBS")

Spanish Broadcasting System owns and operates a network of Hispanic-focused terrestrial radio stations in the United States. Despite negative preconceptions surrounding this "old school" industry, radio and specifically SBS is a fantastic business. SBS is focused on an especially attractive demographic as the Hispanic population continues to see strong population and economic growth. Moreover, SBS's assets are second to none, holding the top ratings spots in their key L.A., Miami, and New York markets. 2019 was a fantastic year as SBS set profitability and ratings records. However, SBS's future is mired by its broken capital structure as evidenced by its 12.5% interest costs. Fix that and SBS will generate significant free cash flow for its investors, be one of the most attractive companies in the radio industry and primed for a strategic investor.

As 2019 came to a close, there was renewed optimism in the market that SBS would finally address its capital structure. This proved to be a false hope as SBS's CEO and Board retrenched themselves in a framework that does not respect the preferred shares' priority over the common shares. Exacerbating this intransigence, the COVID-19 pandemic presented a new stumbling block. While the company continues to see record ratings, the pandemic has effectively choked off advertising spending, the industry's lifeblood. As SBS's cost structure is predominately fixed in nature, a very high proportion of its marginal revenue falls right into – or during COVID-19, draws out of – SBS's bank account. With few levers to reduce its operating expenses and offset revenue declines, SBS is currently burning cash. Moreover, there is a high degree of uncertainty as to when and how quickly a post-COVID recovery may occur. Uncertainty is not an investors' friend, especially in illiquid securities such as SBS's, resulting in mark-to-market declines on our SBS bonds and preferred shares that reduced the Fund's NAV by 1.8% over the first half of 2020.

Despite the recent decline in today's market value of our investment and the increase in the uncertainty of tomorrow's economy, we remain optimistic about both the ultimate value of our preferred shares and the eventual resolution of the capital structure issues. Certainly, the pandemic-induced slowdown will negatively impact SBS in the short-run; however, we believe the quality of SBS's assets, the strategic nature of its listenership, and the staying power of radio will win out in the long-run and generate a significant return on our investment.

Genworth Financial Inc. ("Genworth")

Genworth is a publicly listed (NYSE: GNW) insurance holding company with mortgage, life and long-term care operations in the U.S. and Australia. Our investment in Genworth's common shares was the largest detractor from the Fund's performance over the first half of 2020, as the company's share price fell 47.5% from $4.40 to $2.31, reducing Ravensource's net asset value by 4.5%.

In October 2016, China Oceanwide Holdings Group ("Oceanwide") launched a take-over bid to acquire Genworth for $5.43 per share with the support of Genworth's board. Friendly acquisitions usually trade at a 5%-10% discount to the take-over price. In Genworth's case, the discount has been much larger, averaging more than 30% as risk arbitrageurs doubted regulators would approve a sale to a Chinese buyer while value investors typically stay away from investing in "deals". Copping Bob Dylan, Genworth shares are "with no direction or home," stuck in a buyer vacuum that has dislocated its share price from its underlying intrinsic value. Sensing an opportunity, we did our diligence and began investing in February 2017 with an average cost of $4 per share.

Despite the deal finally receiving all regulatory approvals in Q1 2020, Oceanwide has yet to secure the financing needed to close, citing market conditions due to COVID-19, causing Genworth's share price to fall further in 2020. This is not surprising to us as the pandemic has claimed many announced mergers and acquisitions. While Genworth and Oceanwide have recently affirmed their commitment to close and have extended the closing date once again, the "fog of war" over the Oceanwide deal continues to cloud the market and depress Genworth's share price.

Our contrarianism often results in short-term, mark-to-market losses testing our investment theses and likely your patience. In addition, sometimes we get it wrong. We cannot buy what other people do not want and only expect it to go straight up. But while we embrace our contrarian nature, we must always re-evaluate our thesis throughout the life of an investment. Despite its negative impact to Ravensource's net asset value to date, we believe Genworth remains a compelling opportunity.

Much like HBC, Genworth offers a potential "win-win" from today's prices. If the Oceanwide deal is consummated, we will receive $5.43 in cash — a 135% unannualized return from June 30th, 2020's share price of $2.31. If the deal fails, the "fog" will begin to be lifted, attracting value and private equity investors to assess Genworth on a standalone basis. Genworth's U.S. mortgage insurance unit, which comprises the bulk of the company's value, generates strong cash flow, has been steadily growing its market share, is well-capitalized and should garner significant interest from strategic investors. It is a peach ripe for the picking. We conservatively estimate Genworth is worth $3.50 per share, though it will likely require time and effective leadership by management to successfully pivot to a standalone strategy and unlock that value. While a failed deal would result in a realized loss on our investment, it would be a meaningful 50%+ return over today's prices.

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. Given the idiosyncratic nature of the Fund's investments, we have not uncovered an index that sufficiently resembles Ravensource to the degree it should be considered a "benchmark". Instead, we have identified several indices — see Appendix 1 for descriptions — that are relevant due to their relationship to one of our three investment strategies.

The following table outlines the historical performance of Ravensource and the relevant indices since Stornoway became Ravensource's Investment Manager in July 2008.

		Annualized Total Return				Since July 1, 2008	
	YTD 2020 (2)	1 Year	3 Year	5 Year	10 Year	Annual	Total (2)
Ravensource Fund (1)	**(13.2%)**	**(11.9%)**	**4.3%**	**4.7%**	**8.0%**	**7.6%**	**140.5%**
S&P/TSX Composite Total Return Index	(7.5%)	(2.2%)	3.9%	4.5%	6.3%	3.7%	54.0%
S&P/TSX Small Cap Total Return Index	(14.3%)	(10.1%)	(4.5%)	(0.2%)	1.5%	0.3%	3.3%
ICE BofAML US High Yield Index	(4.8%)	(1.1%)	2.9%	4.6%	6.5%	7.2%	130.4%
Credit Suisse Distressed Hedge Fund Index	(5.7%)	(7.9%)	(1.0%)	0.3%	3.3%	2.8%	39.1%

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

(2) Un-annualized return.

So far in 2020, Ravensource has underperformed all the reference indices except for the S&P/TSX Small Cap Index. However, we are not interested in short-term results; our objective is to create long-term capital appreciation for our investors. As such, 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. Moreover, our individual investments' performance is only suitably judged after the 2- to 4-year period it typically takes to achieve value-creating milestones and for the market to reward our 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 140.5% in total / 7.6% on an annualized basis, including re-invested distributions. By comparison, the S&P/TSX Composite Total Return Index has increased by 54.0% in total / 3.7% annualized over the same time period. If you had invested $100,000 in July 2008, a Ravensource investment would be worth $86,565 / 56% more than a similar investment in the S&P/TSX over this time period.

Fund Liquidity and Investment Activity

Starting 2020 with 20.4% of the Fund's assets in net cash, our net cash increased to 28.1% by June 30, 2020, as divestitures outpaced new investments and other uses of cash.

Over the first six months of 2020, we were patient in deploying our capital and only sold an investment that successfully reached its potential. We have always viewed our cash as both a sword to be used opportunistically, and a shield to defend against the risk of being diluted in an existing investment. We believe that "war chest" is especially valuable now amid the uncertainty caused by COVID-19. While we have opportunistically added to our existing positions over the course of the year, in June we marked a milestone as we made our first capital commitment of 2020 to revitalize a company caught up in the crisis, Delphi Energy.

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	2,577,066	1.54	10.1%
Return of Escrowed Funds [2]	348,689	0.21	1.4%
Dividends and Interest	318,889	0.19	1.2%
Total	3,244,644	1.94	12.7%
Uses			
Investment Purchases	951,763	0.57	3.7%
Foreign Exchange	586,424	0.35	2.3%
Operating Expenses	332,478	0.20	1.3%
Distributions to Unitholders	250,931	0.15	1.0%
Total	2,121,596	1.27	8.3%
Change in Net Cash	1,123,048	0.67	4.4%

(1) % of June 30, 2020 NAV

(2) Relating to Delphi Energy Corp. Subscription Receipts

Divestitures

Ravensource's cash increased by 10.1% of the Fund's net assets during the first half of 2020 primarily from the successful exit of our HBC investment in January. In addition, Ravensource received cash distributions from our residual investments in Old PSG Wind-Down Ltd. and Specialty Foods Group.

Investment Purchases

During 2020, we increased our investments in Quad/Graphics Inc. common shares, Dundee Corp. preferred shares and Colabor Group Inc.'s convertible debentures. Most notably, while not reflected in the sources & uses of cash above, on June 30th, Ravensource — along with SRFLP — agreed to be a plan sponsor and inject equity capital to fund the restructuring of Delphi Energy. If Delphi's restructuring plan is implemented, Ravensource's Delphi investment would increase by $1.1mm, representing approximately 4.2% of the Fund's net assets as of June 30, 2020.

Delphi Energy Corp. ("Delphi")

As we discussed earlier, we initially became involved in the formation of Delphi's restructuring plan (the "Plan") to protect our existing Senior Note investment. Through our engagement, we began to see the greenshoots of the revitalization of Delphi, surfaced an opportunity to capitalize on it and dug in to work with other key stakeholders to ensure Delphi's potential would be a reality.

Delphi has attractive assets; however, it has been hindered by a high debt load and lack of strategic leadership. The Plan was structured to remove these obstacles and allow Delphi to emerge in a position of strength. There are two key aspects to the Plan that are critical to Delphi's future success. Firstly, Delphi will be debt-free as all its existing debt will be converted into equity. With no interest payments or future debt maturities, Delphi will have the financial flexibility to withstand a low oil price environment and capitalize on opportunities its peers cannot. Secondly, Delphi will be partnering with Kiwetinohk Resources Corporation ("KRC") who will become the majority shareholder following the completion of their investment shortly after Delphi's emergence from CCAA. KRC is led by Pat Carlson, one of Canada's preeminent energy investors, who has founded and grown many successful energy ventures — most notably Seven Generations — precisely in the target-rich Montney region where Delphi's operating assets are located. KRC is also backed by ARC Financial, who bring with them a highly disciplined approach to Canadian energy investing and depth of investment capital.

For our efforts in helping craft the restructuring solution, Stornoway was offered the opportunity to be a Plan Sponsor and invest additional equity into Delphi. Our capital will be used to fund the Plan and provide additional liquidity alongside KRC's investment for future strategic acquisitions. As solution-focused investors, we are very optimistic about this investment. The capital structure realignment combined with the KRC's strategic leadership will provide Delphi with a shield to withstand potential future declines in commodity prices, and a sword to hunt for opportunistic add-on acquisitions at distressed prices. While we committed to the investment on June 30th, the investment and Plan are still subject to approval from the various creditor classes and court and is not reflected in the sources and uses of cash for the period as we funded the escrow on July 3rd.

Lastly, successful restructuring is an exercise in building partnerships. Fortunately, we clicked early on with Luminus Management, Delphi's lead investor. Without Luminus' grit, energy investing acumen and belief in the possible, Delphi would simply become another failed Canadian energy company. Combining Luminus' leadership, Stornoway's restructuring expertise and the future contributions of KRC, Delphi is in a position to prosper. We are proud to be their partners.

Distributions

Ravensource's distribution policy is to make semi-annual distributions to unitholders in an amount that ensures it does not incur any tax while providing a reasonable yield for our investors. Total distributions over 2020 amounted to $0.15 per unit, unchanged from $0.15 per unit paid over the first half of 2019. This equates to a 2.0% yield based on an annualized distribution of $0.30 per unit at June 30, 2020's closing / last bid price of $15.25.

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 over the first half of 2020 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. For further details regarding the Fund's MER, please refer to the Management Report of Fund Performance.

	June 30, 2020	June 30, 2019	YoY Change
Pre-expense / Incentive Fee Investment Return	**(12.03%)**	**4.80%**	
Less:			
Audit and accounting fees	0.11%	0.11%	0.00%
Legal fees	0.24%	0.27%	(0.03%)
Management, administrative and IR fees	0.55%	0.60%	(0.05%)
Other operating expenses	0.22%	0.19%	0.03%
Total Expenses Before Incentive Fee	**1.12%**	**1.17%**	**(0.05%)**
Pre-Incentive Fee Investment Return	**(13.15%)**	**3.63%**	
Less:			
Incentive Fee	0.00%	0.26%	
Ravensource Fund Net Investment Return	**(13.15%)**	**3.37%**	

Over the first half of 2020, Ravensource's operating expenses, excluding the incentive fee, was 1.12%, effectively unchanged from 2019's levels.

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 negative return, the Incentive Fee accrued over the first half of 2020 was nil versus 0.26% over the first half of 2019 when we generated a 3.37% return.

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 a 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 with our investee companies 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 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 over the first half of 2020. 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

Over 2020, the investment portfolio's decreased its weighting on special situations equities as a result of our successful exit from HBC while increasing our weighting on distressed securities through our increase in our Dundee preferred share investment. However, these shifts were 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.

By Investment Strategy	**% of Investment Portfolio**	
	30-Jun-20	**31-Dec-19**
Special Situation Equities	28.8%	37.4%
Distressed Securities	66.2%	55.1%
Alternative Credit	5.0%	7.5%
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 in which we have our highest conviction, 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 June 30, 2020, the Fund had six investments exceeding 5% of NAV on a market value basis. The top 10 investments ranked by market value, excluding cash, represented 69.3% of NAV. In total, as of June 30, 2020, Ravensource held investments in 12 companies. 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 June 30, 2020, I owned approximately 8.2% of the total units of Ravensource outstanding. In short, we eat our own cooking. We are your partner.

Concluding Remarks

With today's heightened need for liquidity, we believe it is a terrific time to make compelling investments in distressed and out of favor situations at very attractive prices. In this sea of me-too investors, Ravenource is uniquely poised to capitalize on providing solutions to investors and troubled companies alike. Core to our philosophy is to roll up our sleeves and effect the change needed to revitalize the underlying companies. Today's anxiety over the future can help jumpstart that process – fighting inertia often proves challenging. We recognize that our focus on investing in troubled companies and illiquid investments during this heightened period of stress may be counterintuitive, but in the words of that great Canadian sage Wayne Gretzky, we at Stornoway "*skate to where the puck is going, not to where it has been*".

While other investors have panicked thus far in 2020 — either out of fear or greed — we have been patiently circling. These times of economic dislocations provide us a host of opportunities, but we believe the most attractive ones are those where we can provide rescue or revitalizing financing directly to companies in need, not merely bail out other investors. Our commitment to Delphi's restructuring plan is a prime example. We are confident there will be other great businesses shaken up by the pandemic that will need our capital and restructuring expertise to survive. Armed with our significant war chest of cash, we are well positioned to aggressively capitalize on the attractive opportunities on the horizon. For those who share our patience and fortitude, we believe it is an opportune time to be a Ravensource investor.

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, Zoom, 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.

Be well and stay healthy.

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

August 2020

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.

RAVENSOURCE
FUND