Management's Letter to Unitholders

For the Semi-Annual Period Ended June 30, 2021

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")

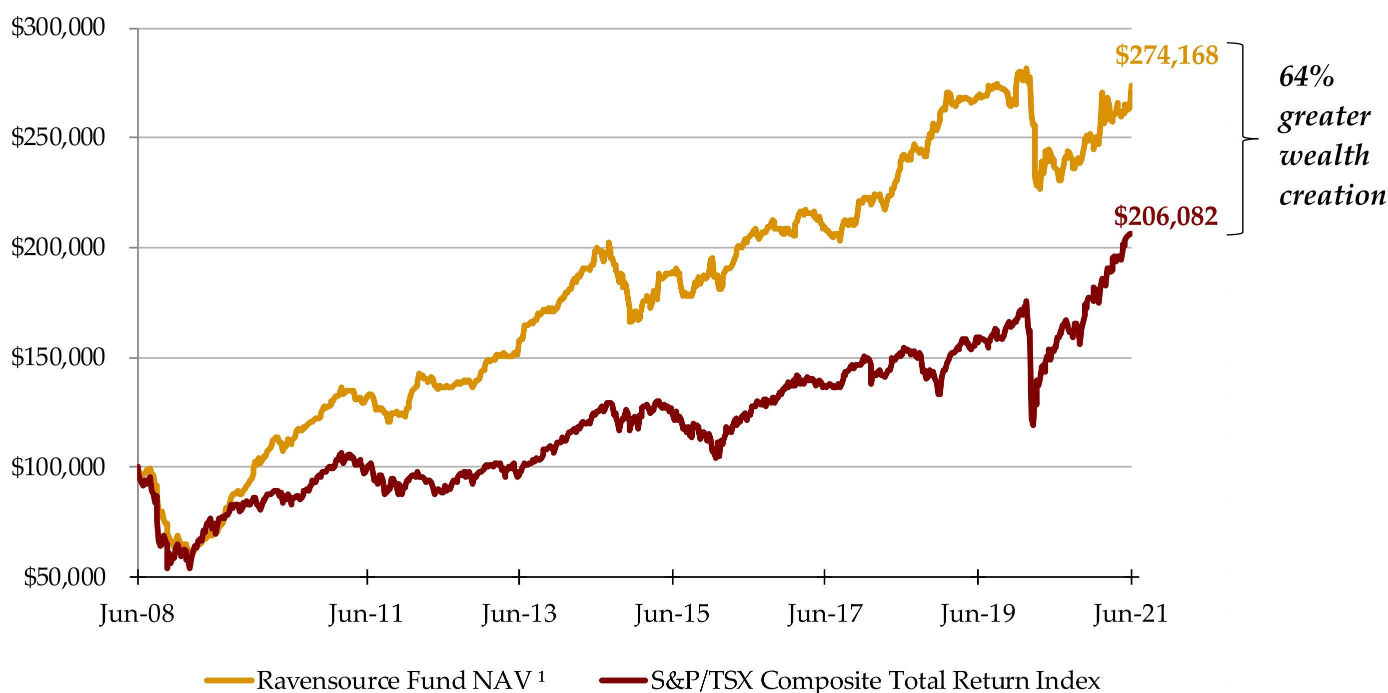
Stornoway was appointed the Fund's Investment Manager on July 1, 2008 to execute Ravensource's investment mandate. Stornoway took over the management of Ravensource from Pat Hodgson. Pat was our partner, an extraordinary investor and a true buccaneer who in 2003 transitioned Ravensource from investing 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 increased by 10.3% over the first half of 2021, including distributions received by investors.

While pleased with our start to 2021, we believe there is much more to come. Admittedly, we do have some ground to make up. Since our last 'big' year in 2018, Ravensource investors have earned a paltry 5.2% return while the TSX has increased by 52.2%.

Over the long term, it is a different story. Since assuming management of Ravensource in 2008, our idiosyncratic approach has created 64% more wealth for our investors than the S&P/TSX. Our path to outperformance, however, has not been smooth as our returns on a given investment tend to be lumpy, concentrated after we successfully turn distressed and out-of-favour companies into healthy going concerns. This requires time and active involvement with our investees. We think differently, we act differently, and so our returns — to quote the philosopher king, the Monkees' Michael Nesmith — "travel to the beat of a different drum."

We are firmly focused on the future, however: investing is a forward-looking business. While our recent returns have been quiet, our actions and achievements to create future value have been anything but. For example, over the past year Distinction Energy completed its financial restructuring, engaged a new management team, made a significant acquisition and is amidst a game-changing merger as it readies itself to be publicly listed. This is illustrative of our broader portfolio, as we believe the value that has been created over the past couple of years across our

portfolio has increased the potential returns to be realized upon successful exits of our investments. That sizable potential is quantified in 'The Carrot' section of this letter.

You are our partner. Our objective is to meaningfully increase the value of your Ravensource 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 during the first half of 2021 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 harvest our 'Carrots'.

Investment Performance

Ravensource's investment portfolio generated an 11.5% return over the first half of 2021. The investments that materially contributed to Ravensource's performance are as follows:

Investment	2021 YTD Gross Return on Investment	Impact on Fund [1]
Firm Capital Apartment REIT	58.3%	4.6%
Spanish Broadcasting System Inc.	47.0%	3.5%
Delphi / Distinction Energy Corp.	33.0%	2.1%
Quad Graphics Inc.	10.2%	0.8%
Dundee Corp.	3.5%	0.5%
Crystallex International Corp.	0.0%	0.0%
Other [2]		0.0%
Pre-expense / Incentive Fee Investment Return		**11.5%**

[1] Increase in NAV associated with the investment's gross return for the period.

[2] Includes other asset investment returns

We would like to share with you what specifically drove results for the first half of the year and the actions we are taking to maximize and protect the value of our investments.

Firm Capital Apartment REIT ("FCA")

FCA is a publicly listed (TSXv: FCA-U) Canadian real estate entity that makes debt, preferred and common equity investments directly into select U.S. multi-residential, rental properties. Since Stornoway injected equity to rescue FCA from the brink of insolvency in 2016, two things have been true: FCA's management team has done a tremendous job to turn around the company and increase shareholder value; and the market hasn't paid attention. However, early this year, spurred by strong insider purchases and corporate buybacks, investors began buying, increasing both the price and liquidity of FCA shares. Rising by almost 60% so far in 2021, our FCA shares increased the value of your Ravensource investment by 4.6%.

Over the first half of 2021, it was business as usual: the FCA team continued to optimize its rents, opportunistically refinanced its mortgages at very low rates, and increased its ownership of its joint venture properties at attractive prices. Further, FCA bought back stock at a large discount to its net asset value, all of which further increased shareholder value. While pleased with its recent performance, we

believe there is more to come as management continues to create value and the trading price of FCA shares still represents a relatively large ~20% discount to their net asset value.

Spanish Broadcasting System Inc. ("SBS")

SBS is a publicly listed media company that owns and operates a network of Hispanic-focused radio stations in the United States. In February 2021, we exited the vast majority of our SBS investment via a settlement agreement (the "Settlement Agreement") with the company. Our exit generated a 47.0% return over its December 31st, 2020 valuation, thereby growing the value of your Ravensource investment by 3.5% during the first half of 2021. A comprehensive review of our SBS investment can be found in the Fund Liquidity and Investment Activity — Divestitures section.

Delphi / Distinction Energy Corp. ("Distinction")

Distinction is an oil and gas producer with assets in Alberta's Montney region. In October 2020, Stornoway injected equity into Distinction — then Delphi Energy Corp. — to finance its emergence from insolvency / CCAA as a strong, healthy company. Since then, Distinction has achieved major milestones that combined with the energy market's tailwinds, drove a 33.0% return on our investment so far in 2021, increasing the value of your Ravensource investment by 2.1%.

Integral to our investment was the partnership with Kiwetinohk Resources Corporation ("KRC"). KRC is led by Pat Carlson of Seven Generations fame and backed by ARC Financial, a leading energy-focused investment firm. We recognized the value of Distinction's existing assets and employed our expertise and capital to restructure it into an ideal platform to buy other distressed energy assets at fire-sale prices. However, we needed Pat and his team to apply their industry expertise, managerial discipline, and data-driven approach to turn this potential into a coveted, well-run, high-cash flowing business.

Distinction's revitalization has rapidly evolved. After KRC took over management in early 2021, it nearly tripled its equity investment in Distinction, enabling it to participate in a compelling acquisition from Ovintiv. These assets are nearby to Distinction's existing ones, with the same high-quality / low-cost production and a wealth of attractive drilling opportunities even at low oil prices ($40-50 WTI), whose geology Pat and his team know well.

In June 2021, KRC and Distinction announced their intention to merge into one entity. From our perspective, it is a no brainer. As the vast majority of KRC's assets are common to Distinction, we will be effectively doubling the company's size through assets in which we already have strong conviction. Given KRC is debt-free, the merged entity is reloading its financial capacity to buy assets or drill new wells. Lastly, the merger will simplify the current organizational structure to become 'one team, one dream.' To capture these benefits, we happily committed our support when asked by Distinction and KRC's board prior to the formal merger announcement. We expect the merger to close in Q3 2021.

Distinction's — rather, KRC's — next pivotal milestone will be the listing of its shares on the TSX which we expect to be completed by year-end. This will greatly increase liquidity of our shares, and given its enhanced scale, best-in-class management team, and top-tier assets burdened by little debt, we believe that the new KRC should garner a premium valuation. Once the merger is completed and is listed, we believe our shares are well positioned to trade at $27.50+ versus the June 30, 2021 price of $20, which would generate significant additional gains on our investment.

Quad Graphics Inc. ("Quad")
Quad is a publicly listed (NYSE: QUAD) commercial printing company based in Wisconsin. It is the second-largest commercial printing company in North America, with a broad range of products and services including direct mailings, catalogs, magazines, ad campaign design and analytics. Over the first half of 2021, the market price of our Quad common shares increased from $3.82 to $4.15, growing the value of your Ravensource investment by 0.8%.

As a small-cap company in the printing industry with no Wall Street analyst coverage, Quad is the antithesis of a "hot" stock. What loyal investors it did have were attracted to its ~10% dividend yield. When Quad abruptly eliminated its dividend in November 2019, those investors all fled, sending Quad to the capital markets equivalent of the Arctic Circle. Its stock quickly fell from $11 per share to $4.

We don't care about how "hot" a stock is or if it pays a dividend. We do care how much cash a business generates, and Quad was still producing gobs of it. In contrast to the market, we agreed with the company that the cash associated with the dividends would create more shareholder value if used instead to reduce debt and reinvest in the business. As Quad's CEO is also its largest shareholder, he no doubt acutely felt the impact of the dividend cut and share price drop. He sacrificed his short-term income for a longer-term gain – we are aligned with him in that objective. That is what good leaders do: make tough decisions to protect and maximize shareholder value. We believe this bold decision will strengthen Quad, injecting it with financial flexibility to thrive in a sea of weaker peers.

Since our investment, Quad has delivered: lowering its debt by 35%; improving operating margins; and gaining market share from struggling competitors. As the company continues to pay down debt, it further de-risks common shareholders while freeing up more and more cash previously being used to pay interest. It appears the market is finally starting to warm up to the stock, attracted to the value we recognized at the time of our investment. While pleased, we believe Quad shares are conservatively worth 20% more than their June 30th, 2021 market price.

Dundee Corp. ("Dundee")
Between dividends we received and a small increase in its trading price, our Dundee Series 3 preferred shares generated a 3.5% total return thus far in 2021, increasing the value of your Ravensource investment by 0.5%. Since first purchasing them at $10.50 in August 2018, our investment has generated a 30.3% annualized return as a direct result of the tremendous turnaround at Dundee.

Dundee is a publicly listed holding company (TSX: DC.A) that once owned two of Canada's leading asset management and real estate firms. Dundee sold those off between 2011 and 2014, investing $1 billion of the proceeds in a portfolio of speculative ventures that failed miserably. By the time Dundee hit our radar in August 2018, investor confidence was at its nadir as the market price of its common shares had fallen by 95% and its preferred shares traded at just 50 cents on the dollar.

Most investors hate preferred shares and they especially hated Dundee's given its track record. We thought differently. With no debt in front, the preferreds are its most senior-ranking security. Our

analysis showed Dundee's assets were worth well more than the preferreds' $25 face value let alone their $10.50 trading price, providing us a large margin of safety and a $14.50 per share profit potential.

We also acted differently. Instead of passively relying on Mr. Market, we developed an action plan to capture the bulk of that profit potential. Dundee's problem was its assets did not generate sufficient cash to pay the preferred dividends, and the leverage created by the preferred shares amplified risk to common shareholders to an unacceptable level. The solution? Dundee needed to sell its "legacy" portfolio and eliminate its leverage by redeeming its preferreds.

Convinced of our plan's merits, we started buying and advocated for change to management and the board. In 2019, Dundee began a multi-year transformation by converting its Series 5 preferred shares into equity, and in 2020 it sold its largest asset — Dundee Precious Metals ("DPM") — using part of the proceeds to buy back close to 40% of its preferred shares. The market applauded, driving up the price of Dundee's preferred shares to $18.28 by the end of 2020. Dundee continued this path in 2021, buying back preferreds in the market.

Dundee has made great progress, but the job is not complete. With more than half its preferred shares outstanding, Dundee continues to burn cash and remains inappropriately levered. Further, it still has dozens of legacy assets it has been trying to sell with little to show for it. To some extent, we are not surprised as management is focused on the new: building a junior mining merchant bank. Recognizing the need for a dedicated specialist, in June 2021 Dundee appointed Steven Sharpe — a Bay Street heavyweight — to oversee the monetization of its legacy portfolio. We believe these assets are worth at least $78 million. Along with $70 million of cash on hand, Dundee can redeem its remaining $79 million of preferred shares *and* pursue its junior mining aspirations on strong financial footing.

It is clear that Dundee has the means to fix its capital structure and reduce shareholder risk to acceptable levels, they just need the gumption to do it. If so, that path runs through us as Stornoway funds own more than 50% of the Series 3 preferred shares. In the meantime, we are earning a 9.0% interest-equivalent yield in a very low-interest rate environment while being well-protected against loss with more than $70 of assets backing each $25 preferred.

Crystallex International Corp. ("Crystallex")

The market price of our Crystallex 9.375% senior notes was unchanged over the first half of 2021. While our investment did not generate a return, Crystallex progressed in its quest to sell CITGO and collect the remaining ~$1bn USD it is owed by Venezuela. Over 2021 the Delaware court overseeing the Crystallex v. Venezuela litigation made several rulings / orders requiring the parties to "advance [the CITGO sale] to the furthest point that [OFAC] sanctions permit".

No question, with notching up a plethora of legal victories, the US courts remain Crystallex's strongest instrument to getting paid what it is owed. However, the US Government's grant of the OFAC license required to complete the CITGO sale remains elusive and our investment is unlikely to appreciate materially until OFAC sanctions are lifted. While it may take a couple more years to realize, we are optimistic we will be very well-rewarded on our Crystallex investment.

The Carrot

The Investment Performance section is devoted to reviewing how Ravensource performed thus far in 2021 and the actions taken to create and capture value on our investments. But investing is a forward-looking business and we are rightly focused on future results, not past ones. This section is devoted to helping you better understand the future profits we are working to achieve on our individual investments — we call it the 'Carrot'.

The 'Carrot'— the gap between the June 30, 2021 market price of our investments and the value we are working to realize when it comes time to sell — is quantified below:

		"The Carrot"		
Investment	**Current Price[1]**	**Exit Proceeds[2]**	**"The Carrot"[3]**	**Estimated Time to Exit**
Crystallex International Corp.	$110.00	$245.00	122.7%	2 - 4 years
Dundee Corp.	$18.40	$20.30	10.3%	6 - 12 months
Firm Capital Apartment REIT	$7.55	$8.24	9.2%	6 - 18 months
Genworth Financial Inc.	$3.90	$4.50	15.4%	1 - 2 years
Distinction Energy Corp.	$20.00	$27.50	37.5%	6 - 12 months
Quad Graphics Inc.	$4.15	$5.00	20.5%	1 - 2 years
GXI Acquisition Corp.	$0.64	$2.00	212.8%	3 - 5 years
New Position - Unnamed	$14.00	$25.00	78.6%	2 - 4 years
Spanish Broadcasting System Inc.	$2.55	$5.41	112.0%	1-2 years

[1] As of June 30, 2021.

[2] Conservative estimate of the proceeds received on a succesful realization plus any interim dividends / distributions received.

[3] Unannualized return to the midpoint Estimated Time to Exit.

While we have made great strides in 2021 on most of our investments, some are closer to being realized than others. Timing is still one of our most uncertain and uncontrollable factors. However, we find our longer termed investments are often our most rewarding — the power of compounding is one of investing's most potent forces.

As with any forward-looking analysis it comes with a necessary caveat: this is not a projection of future annual returns. We do not possess a secret crystal ball or the ability to divine the future. Rather, it is our assessment of the value we believe we can receive on exit. We believe our assessments are conservative and grounded in today's reality, not based on hopes and dreams that the underlying businesses will sell more widgets or increase their profit margins.

While the table shows a single number, in any investment, there are a range of potential outcomes. The values in this table reflect our low estimate of what we might realize upon a successful exit. For example, despite our conviction that we are currently owed — and should ultimately be paid — over $300 per $100 face value Crystallex bond, we have instead shown a target almost 20% lower.

That range of potential outcomes also includes scenarios where we lose money, which are not captured by the table. Despite our thorough analysis, active involvement and paying a thrifty price to acquire an investment, sometimes we are wrong, fail to de-risk the company, lose the battle over what share of the pie we are entitled to, or the potential we identify does not materialize. Investing

is an inherently uncertain pursuit. As another great philosopher, Yogi Berra, was aware: "It's tough to make predictions, especially about the future."

Fund Liquidity and Investment Activity

Over the past three years our semi-annually reported cash has been as high as 28.1% of net assets and as low as 6%. Why does it fluctuate so significantly? The answer lies in Stornoway's approach / philosophy to investing. We look to invest in only 10 to 15 truly compelling ideas. However, it is rare that we uncover one great investment at the same time we exit another: our bar to invest is high; our diligence is rigorous and our holding period is relatively long. Until we find that next great idea, we would rather keep our hands in our pockets rather than risk your capital.

During 2021, this dynamic was in full-force. Ravensource's cash increased significantly from the exit of two large investments – Spanish Broadcasting System & Colabor – that along with some small reductions in other investments generated cash proceeds representing 18.3% of the Fund's NAV. While we reviewed several new opportunities, we only invested 3.9% of NAV. Altogether, our 13.3% cash position as of December 31, 2020 grew to 27.5% on June 30, 2021 as outlined below:

	Amount	**% of NAV** (1)
Starting Net Cash	3,285,527	13.3%
Sources		
Investment Divestitures	4,516,357	18.3%
Dividends and Interest	150,636	0.6%
Foreign Exchange	293,054	1.2%
Total Sources	4,960,047	20.1%
Uses		
Investment Purchases	(969,837)	(3.9%)
Operating Expenses	(276,052)	(1.1%)
Distributions to Unitholders	(213,600)	(0.9%)
Total Uses	(1,459,489)	(5.9%)
Change in Net Cash	3,500,558	14.2%
Ending Net Cash	6,786,085	27.5%

(1) % of June 30, 2021 NAV

Divestitures

The strong credit markets over the first half of 2021 enabled two of our investee companies – Colabor Group and Spanish Broadcasting System – to raise sufficient capital to refinance us out of these investments. We would like to share the circumstances, and the outcome, of these exits.

Spanish Broadcasting System Inc. ("SBS")

After years of unproductive negotiations, in February 2021 we largely exited our SBS investment receiving 95% of the consideration in cash with the residual in newly issued common shares. It was a

bittersweet ending. While our exit triggered a 47.0% return in 2021, it generated only a 2.1% annualized return measured over the 4 years we were invested in SBS's preferred shares and senior secured notes.

SBS is a well-run business delivering best-in-class operating margins and listener growth, supported by the attractive trend of its target Hispanic demographic. Against this great business was a broken capital structure that restricted its growth, depressed the price of its preferred shares and rendered its common shares worthless. To fix it, SBS needed to implement a financial restructuring, which required the preferred shareholders to reach a restructuring agreement with either the single noteholder who owned over 50% of the notes and reticent to surrender its 12.5% monthly interest; or the CEO / son of the founder who refused to cede control of the "family" business.

We knew going in that all parties were at stalemate. That's our gig, though: effecting change in difficult situations. We believed we could do so again in SBS and earn a 25%+ annualized return on our investment while delivering compelling incentives to the other stakeholders. To effect the required change, we needed either the majority noteholder or CEO to say yes and crafted what we thought were compelling solutions for each over the past four years. Despite our efforts, both were resistant to change. These headwinds were compounded by the negative impact COVID-19 had on the business' profitability. It was a frustrating four years!

The strong credit markets of early 2021 provided an offramp to the impasse as SBS was able to raise a high yield bond sufficient to repay its existing debt and offer the preferred shareholders a meaningful amount of cash — far more than the company offered before. In addition, we negotiated for SBS to give 19.99% of the pro forma common equity to preferred shareholders, a step the CEO had previously been unwilling to entertain. While economically far from what we believe we were entitled to, the Settlement Agreement provided us with immediate and certain value versus continuing this battle indefinitely, exposing us to further costs, brain damage and risk.

Introspectively, we consider our SBS investment a "fail" as we didn't generate a meaningful return. However, normally when we fail, we lose money. In the case of SBS, the large margin of safety we established upfront and the actions we took allowed us to generate a positive return even in the face of a global pandemic. Further, we learned a lot, mostly to avoid situations involving the son of a founder. From that perspective, we are content with our exit and eager to take our investment and the lessons learned and apply them to the next opportunity.

Colabor Group Inc. ("Colabor")
On February 18th, 2021, Colabor announced it was calling its 6% convertible debentures at par / $100 per $100 face value 8 months in advance of their October 2021 maturity, culminating a successful 2-year investment which generated a 29.5% annualized return on our capital.

In early 2019, we began buying Colabor's debentures at $70 / 21% yield to maturity. We believed Colabor's excess working capital was sufficient to fully repay us in cash; if not, we would be more than willing to exchange our debt for equity. Our conviction was based on Colabor's dominant position in Quebec food service market, its ability to generate cash by harvesting its excess working capital, and the quality of its new management team. That assessment sharply contrasted with most investors, who

avoided Colabor because of its high debt load and prior brushes with bankruptcy. Our contrarian view enabled us to buy Colabor bonds at a very attractive yield given their risk.

Over the next two years, Colabor took bold proactive measures to strengthen its balance sheet by selling non-core assets, monetizing excess working capital, and improving operations. Most importantly, they repaid almost all the debt ahead of us. We applaud management for transforming Colabor away from the edge of insolvency to a revitalized, strengthened business.

These actions and the buoyant credit markets enabled Colabor to refinance our 6% debentures at much lower interest rates. Apparently, the fixed income community unwilling to earn a 21% yield only two years ago is now willing to lend to Colabor at low single digits. Rather than look a gift horse in the mouth, we opportunistically sold our bonds at $100.25 — a small premium to the call price — soon after the call notice was issued.

Investment Purchases

During the first half of 2021, we increased our Colabor convertible debenture investment paying $95 per $100 face value / par just weeks before the company elected to call its debentures at $100. More materially, we established a toehold position – currently about 2% of net assets – in an office real estate opportunity while injecting additional equity capital into GXI Acquisition Corp.

GXI Acquisition Corp. ("GXI")

Stornoway funds — Ravensource and SRFLP — along with two other investors, founded GXI to acquire Guestlogix out of bankruptcy in September 2016. To fund the next step in Guestlogix's growth plan, Ravensource participated in a US$3 million financing in March 2021 alongside our partners.

Guestlogix has two businesses: a legacy transaction processor for airlines and a nascent travel commerce platform ("TCP"). Buy a scotch on WestJet or a sandwich on Southwest? Guestlogix' transaction engine made that happen. When we rescued Guestlogix, it was losing US$15 million annually. After a year of blood, sweat and tears, its legacy business was turned from a cash consumer into a cash generator. Even amid COVID, that legacy business produced cash as its airline clients continued to pay monthly subscription fees given its processing solution is deemed mission critical. It is a profitable, stable business that provides the necessary ingredients to build a new growth machine.

The next step in the evolution of Guestlogix is to leverage its processing technology and its airline relationships to grow revenue beyond the booze and sandwich cart. This kernel of an idea has been developed into a fully-fledged product, TCP, launched in February 2021. Through TCP, passengers can priority board; upgrade to business class; order food and drink; buy duty-free; and sign-up to an in-destination experience, all on their smartphone before, during or after their flight.

With COVID devastating the travel industry over the past 18 months, airlines are more dependent than ever on cash-generating ancillary sales. TCP is a "no-brainer" response: it enables airlines to sell travel experiences along with their own underutilized inventory, and in cases like priority boarding or upgrades, do so at near-100% margins. As Guestlogix is partnering with airlines on a revenue-share basis with no fixed fees, TCP is their proverbial "free lunch". To quantify the magnitude of this

opportunity, management believes that over the next 2 years, TCP can generate roughly 7x the revenue of the legacy business. It is a potential game changer for Guestlogix.

We are fortunate to have great partners. Guestlogix' management team are a talented, creative and entrepreneurial lot while our fellow shareholders are savvy investors who add tremendous value: Jason Chapnik — one of Canada's top technology investors — and James Merkur, a former investment banker with extensive experience in the travel industry. We believe the seeds of Guestlogix' success are planted and are optimistic about its future.

Distributions

Ravensource's policy is to make semi-annual distributions to ensure it does not incur any tax while providing a reasonable yield for our investors. Distributions over 2021 amounted to $0.15 per unit, unchanged from $0.15 per unit paid over the same period in 2020, equating to a 1.9% annualized yield using June 30, 2021's closing bid of $15.85.

Operating Expenses

Ravensource's operating expenses include management fees, legal fees, trustee fees, TSX listing fees, accounting expenses, transaction costs and a host of other 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 during the first half of 2021 and 2020.

	Jun 30, 2021	Jun 30, 2020	YoY Change
Pre-Expense / Incentive Fee Investment Return	**11.54%**	**(12.03%)**	**23.57%**
Less:			
Management, administrative and IR fees	0.63%	0.55%	0.08%
Legal fees	0.21%	0.24%	(0.03%)
Audit and accounting fees	0.15%	0.11%	0.04%
Other operating expenses	0.24%	0.22%	0.02%
Total Expenses Before Incentive Fee	1.23%	1.12%	0.11%
Pre-Incentive Fee Investment Return	**10.31%**	**(13.15%)**	**23.46%**
Less:			
Incentive Fee	0.00%	0.00%	0.00%
Ravensource Fund Net Investment Return	**10.31%**	**(13.15%)**	**23.46%**

Over 2021, operating expenses represented 1.23% of Ravensource's starting NAV, 11 basis points higher than 2020's levels.

To be clear, the Fund's 1% management and administrative fee has not changed. Rather, the table expresses performance and expenses as a percentage of *starting* net asset value rather than average net assets throughout the period. As net assets grew over the first half of 2021, unlike in 2020, management fees as a percentage of starting net assets increased year-over-year.

While other operating expenses and audit and accounting fees, as a percentage of starting NAV, increased by 6bps versus 2020, the absolute dollar amount of these expenses actually fell in 2021. However, following the annual redemption in 2021, these largely fixed expenses are now being

spread out over a lower asset base, increasing their relative cost versus 2020.

Incentive Fee

Stornoway as Ravensource's Investment Manager is entitled to an annual incentive fee equal to 20% of Ravensource's net profits over and above a 5% annual hurdle rate, after making up any losses or shortfalls from prior years (the "Incentive Fee").

While Ravensource generated a positive return in 2021, we have yet to make up the shortfall from our negative performance in 2020. As a result, no Incentive Fee has accrued thus far in 2021. Until Ravensource investors first earn a 5% annualized return from where they stood on December 31, 2019, we are not entitled to $1 of Incentive Fee. Simply put, we only get rewarded if you do first.

Long Term and Relative Performance

Our focus is on the future: looking in the rear-view mirror does nothing to grow your capital today. That said, we understand we are graded on our past. We include this section in our letters so that you can evaluate whether we have been successful in meeting our objective of producing significant long-term returns — i.e. "absolute" returns — regardless of market conditions.

We also realize you may also want to measure our performance relative to other investment vehicles. 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.

		Annualized Total Return				Since July 1, 2008	
	YTD 2021 [2]	1 Year	3 Year	5 Year	10 Year	Annual	Total [2]
Ravensource Fund [1]	**10.3%**	**15.5%**	**4.5%**	**6.0%**	**7.6%**	**8.1%**	**174.2%**
S&P/TSX Composite Total Return Index	17.3%	33.9%	10.8%	10.8%	7.4%	5.7%	106.1%
S&P/TSX Small Cap Total Return Index	19.8%	57.7%	9.2%	7.3%	3.6%	3.8%	62.9%
ICE BofAML US High Yield Index	3.7%	15.6%	7.1%	7.3%	6.5%	7.8%	166.4%
Credit Suisse Distressed Hedge Fund Index	10.4%	21.6%	4.3%	5.5%	4.3%	4.1%	69.2%

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

(2) Un-annualized return.

While satisfied with our absolute performance over the first half of 2021, we have underperformed over the past two years. We are not surprised: it is when markets are at their most exuberant that our distressed and out-of-favour investments lag the most. Our value proposition to you is not to jump on others' bandwagon, but to do the hard work of turning around troubled companies and profiting from the value created when they are sold. Mr. Market does not hand out freebies. Our performance in 2021 directly results from the milestones we achieved but does not fully reflect the value we have created. We believe the bulk of your rewards are yet to come.

Our idiosyncratic, patient and hands-on approach has proven itself over time and multiple market

cycles. Consistent with our objective to generate superior long-term wealth creation on your investment, since Stornoway became Ravensource's Investment Manager in July 2008, Ravensource's NAV per unit has increased by 174.2% in total / 8.1% on an annualized basis, including re-invested distributions. By comparison, the S&P/TSX Composite Total Return Index has increased by 106.1% in total / 5.7% annualized over the same time period. More tangibly, a $100,000 investment in Ravensource has grown by $174,168 since July 2008, representing $68,087 / 64% more wealth creation than the S&P/TSX. We believe we have met our long term objective.

"Skin in the Game"

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. As of June 30, 2021, we owned approximately 11.9% of Ravensource's outstanding units, and together, we are likely Ravensource's second-largest investor. In short, we eat our own cooking. We are your partner.

Risks

We define risk as the potential for a permanent loss of capital. While assumed at the time we make an investment, risk is 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 or repayment of a loan. We continually monitor the risk of each investment and its impact on our portfolio, taking actions or making changes to the size of our investment when warranted.

The most effective risk management tools we employ are: to establish a large "margin-of-safety" by investing at prices substantially below what we believe is intrinsic value; structure our investment to mitigate the risk of loss; and become actively involved with our investees to protect our investment. Through these mechanisms and processes, we can substantially reduce risk while increasing the potential for returns. However, sometimes we are wrong, ineffective in de-risking a company, or an investment's potential fails to materialize exposing our investors to a loss.

We also note that our investments will likely experience periodic mark-to-market gains and losses over their investment life. While our investments are typically uncorrelated to most asset classes, when markets become disrupted – e.g in 2008 and 2020 – there will be a flight to the most liquid of assets. As we invest in underfollowed and unloved opportunities, Ravensource's investments can be particularly exposed to temporary market losses during flights to quality. We may seek to capitalize on lower prices by prudently increasing an investment if the opportunity is compelling and the underlying company has ample liquidity to ride out the storm.

In addition to investment-specific risks, 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 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 during 2021 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. 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.

Concluding Remarks

The ability of the broader capital markets to shrug off the uncertainty created by a global pandemic and increasing geopolitical head-butting has been truly extradordinary. Against this backdrop, Ravensource's performance has quiet. But as we discussed, Ravensource's relationship with the broader capital markets is casual at best. We invest in the distressed and the unloved — then apply our expertise, capital and partnerships to revitalize them into something that has value. Only then do we collect the market's assessment of the value that has been created, likely through a sale of the investee to a strategic investor or some other catalyzing event.

Over 2021, we believe that we – and our existing investees — have made significant progress in creating tangible value on our investments. However, we believe that the current price of most of our investments reflect little of that value creation, making the opportunities in our existing portfolio that much more compelling. We believe that upon successful exits of our investments, your capital will be well-rewarded. Through the 'Carrot' section, we looked to quantify the significance of that profit potential we are working to capture.

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 or Zoom to discuss your investment further. We enjoy hearing from our investors and discussing our investments and strategy with you.

Lastly, the entire Stornoway Team – Brandon, Daniel, Mahesh and me – would like to thank our investors for your continued trust. We acknowledge that our process to create meaningful and lasting value on our investments takes time and perseverance. While our returns are lumpy and are often a long-time-a-comin', we believe that after the dust settles, we will have generated a superior return on your investment as we have since 2008. Your partnership is a key ingredient in our success. We look forward to rewarding you in the years to come.

Onwards and upwards.

Scott Reid — August 2021
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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