



MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31, 2021

THE RAVENSOURCE FUND

This management report of fund performance (“MRFP”) contains financial highlights but does not contain the complete financial statements of the investment fund. You can get a copy of the financial statements at your request, by calling (416) 250-2845, by writing to us at Stornoway Portfolio Management Inc., 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1, by e-mailing us at info@stornowayportfolio.com, by visiting our website at www.ravensource.ca, or through the SEDAR website at www.sedar.com. Ravensource’s net asset value per unit is published weekly and can be found on our website at www.ravensource.ca.

Securityholders may also contact us using one of the above methods to request a copy of the investment fund’s Annual Information Form, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

A Note on Forward-Looking Statements

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

THE FUND

The Ravensource Fund (“Ravensource” or “Fund”) is a closed-end investment fund with 1,197,334 units currently outstanding. As of December 31, 2021, the net assets of the Fund were \$20.9 million and the net asset value (“NAV”) per unit was \$17.43. Ravensource units are listed on the Toronto Stock Exchange under the symbol RAV.UN and can be purchased / sold like any other publicly listed security. The closing market price of Ravensource units as of December 31, 2021, was \$15.80 (bid) - \$17.00 (ask).

THE INVESTMENT MANAGER

By way of a special meeting of unitholders, Stornoway Portfolio Management Inc. (“Stornoway” or “Investment Manager”) was appointed as the investment manager to the Ravensource Fund effective July 1, 2008. Stornoway’s responsibilities for Ravensource include the evaluation, selection and negotiation of investments, the ongoing monitoring and evaluation of such investments, the recommendation of the appropriate timing and structure for disposition of such investments and of course, reporting to you, Ravensource investors.

INVESTMENT OBJECTIVE AND STRATEGIES

The principal objective of Ravensource is to achieve superior absolute long-term returns, with an emphasis on capital gains, through investments in selected under-followed / out-of-favour North American debt instruments, creditor claims and equity securities that are typically off the radar screen of most traditional investors. The investment objectives of the Fund are stated in the Declaration of Trust and on the Fund’s website at www.ravensource.ca.

To achieve its investment objectives, Ravensource's investments primarily fall into 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 are attractively valued with catalysts to unlock value.

RISK

The risks associated with an investment in the units of Ravensource are disclosed in the Annual Information Form and in the notes attached to the financial statements, which are available on the SEDAR website at www.sedar.com and on the Ravensource website at www.ravensource.ca.

The Fund has not altered its stated investment strategies or implemented significant changes that would materially affect the overall risk of investing in Ravensource over the course of 2021. However, unexpected volatility or illiquidity could occur due to legal, political, regulatory, economic or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war and related geopolitical risks, and may impair the portfolio manager's ability to carry out the objectives of the Fund or cause the Fund to incur losses. Neither the duration nor ultimate effect of any such market conditions, nor the degree to which such conditions may worsen can be predicted. An investment in the Fund continues to be appropriate only for investors who have the capacity to absorb a loss of some or all of their investment, who seek long-term capital growth, have a long-term investment horizon, and possess a medium to high-risk tolerance to withstand the ups and downs that go along with investing in out-of-favor securities.

RESULTS OF OPERATIONS FROM JANUARY 1, 2021 TO DECEMBER 31, 2021

Size of the Fund

Ravensource's net assets decreased by \$1.7 million or 7.5% during 2021 due to \$3.9 million in net investor redemptions and \$0.4 million of semi-annual distributions to unitholders partially offset by \$2.6 million in net operating gains. In comparison, Ravensource's net assets decreased by \$7.1 million or 24.1% over 2020.

Investment Performance

Ravensource's net asset value per unit ("NAV") increased by \$1.88 or 11.8% over 2021 — after factoring in distributions paid to unitholders — due to the performance of its investment portfolio net of the fees and expenses associated with operating the Fund.

Ravensource's 2021 investment performance was driven by the achievement of significant milestones by its investee companies, most significantly, Spanish Broadcasting System, Inc., Firm Capital Apartment REIT, Kiwetinohk Energy Corp. and Dundee Corp.

The value of the Fund's investment in Spanish Broadcasting System, Inc. preferred shares and secured bonds increased in aggregate value by 52.4% over 2021, increasing the value of the Fund by 4.0%. In February 2021, our securities were exchanged for cash plus a small portion of common equity as the preferred shareholders and company reached a settlement after years of negotiations — in which Stornoway played a key role. The secured bonds were repaid at par and the preferred shares were repurchased for value significantly above their 2020 year-end price.

Over 2021, Ravensource's investment in Firm Capital Apartment REIT units returned 45.9% during 2021, growing the Fund by 3.7%, as the company's disciplined approach to managing its core real estate portfolio and further unit buybacks increased the value of its tangible equity value. After years of apathy, traditional real estate investors are beginning to recognize the value of this well-run company.

The value of Ravensource's investment in Kiwetinohk Energy Corp. ("KEC") increased by 52.4% over 2021, contributing 3.4% to the Fund's return. As a reminder, Ravensource along with another Stornoway managed investment fund - Stornoway Recovery Fund LP - injected equity into Distinction Energy to allow it to emerge from insolvency as a strong, going concern with a compelling portfolio of strategic assets and a platform to grow. Distinction Energy took advantage of its revitalized position post-emergence from CCAA in 2020 to achieve significant milestones in 2021 by: completing a material and attractive asset purchase, enhancing its scale and efficiency by consolidating its assets with that of its controlling shareholder to become KEC, positioning it for a public listing which occurred in January 2022. These milestones along with the buoyant energy market drove the increase in the value of KEC's shares over 2021 and position KEC to prosper in 2022 and beyond.

Finally, the Fund's Dundee Corp. preferred shares returned 11.2% in 2021, or 1.7% for the Fund's value as the company sold additional non-core assets, generating cash proceeds that further de-risked the 'first-in-line' preferred shares. More importantly, these asset sales increased its cash reserves and injected financial flexibility enabling it to finally correct its persistent capital structure issues.

This brief discussion is further expanded upon in Ravensource's Management's Letter to Unitholders (the "LTU") in which we share our investment philosophy and approach that guides our investment decisions. In addition, the LTU provides a deeper look at Ravensource's investment results and developments in the portfolio during 2021 with the objective of helping you better understand your investment.

RECENT DEVELOPMENTS

Since 2018 Ravensource has ended each year with between 15% and 27% of its net assets in cash. However, Ravensource ended 2021 not only fully invested but with leverage equal to 20.5% of the Fund's total assets. Leverage occurs when the Fund borrows money to increase its investment exposure that would otherwise not be possible. As provided for in the Declaration of Trust, the Fund can incur indebtedness / leverage up to 30% of the total assets of the Fund. Over 2021 Stornoway identified several compelling opportunities, and to capitalize on them while maintaining its existing investments, Stornoway employed what it believed was a conservative amount of leverage. Throughout 2021, Stornoway established new investment positions in Algoma Steel Group, Brookfield DTLA, and Stelco Holdings. In aggregate, Ravensource invested approximately 56.9% of its net assets over the course 2021.

The source of leverage was a margin loan from the Fund's prime broker. To balance the risks associated with leverage, Ravensource has a large position in highly liquid Government of Canada bonds (19.0% of net assets) and publicly listed securities (63.9%), that the Fund could divest to meet any liquidity needs that may arise.

RELATED PARTY TRANSACTIONS

Investment Manager Compensation

The Investment Manager receives compensation for performing various responsibilities and services for Ravensource. The total compensation accrues from various components: Management Fee, Administration Fee, Investor Relations Fee and Incentive Fee. The fees incurred over the year ended December 31, 2021 amounted to \$272,172, including HST (2020 - \$302,014). The breakdown of the fees is as follows:

i. Management Fee

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

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

The Management Fee for 2021 amounted to \$168,098, inclusive of HST (2020 - \$187,495).

ii. Administrative Fee

Subject to the supervision of the Trustee, the Investment Manager has agreed to be responsible for and provide certain administrative services to the Fund. The Administrative Fee is based on the Fund's average weekly net assets and payable on the last business day of each month as follows:

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

The Administrative Fee for 2021 amounted to \$90,514 inclusive of HST (2020 - \$100,959).

iii. Investor Relations Fee

The Investment Manager is paid a monthly Investor Relations Fee of \$1,000 plus applicable sales tax for unitholder reporting and other services provided under a service agreement. The Investor Relations Fee for 2021 amounted to \$13,560, inclusive of HST (2020 - \$13,560).

iv. Incentive Fee

The Investment Manager will earn 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 by more than 5%, plus any shortfalls from prior years. The Incentive Fee for 2021 amounted to nil (2020 - nil).

FINANCIAL HIGHLIGHTS

For the years ended December 31, 2017 to December 31, 2021

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

The Fund's Net Assets per Redeemable Unit (\$) ⁽¹⁾	2021	2020	2019	2018	2017
Opening Net Assets per Redeemable Unit	15.85	17.76	17.22	14.97	14.39
Increase (decrease) from operations:					
Interest and dividend revenue	0.09	0.30	0.46	0.34	0.14
Expenses	(0.40)	(0.34)	(0.39)	(0.87)	(0.30)
Realized gains (losses) for the period	0.39	0.44	0.10	4.46	2.65
Unrealized gains (losses) for the period	1.80	(2.01)	0.67	(1.38)	(1.54)
Total increase (decrease) from operations ⁽²⁾	1.88	(1.61)	0.84	2.55	0.95
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.30)	(0.30)	(0.30)	(0.30)	(0.37)
Total distributions ⁽³⁾	(0.30)	(0.30)	(0.30)	(0.30)	(0.37)
Net Assets per Redeemable Unit, end of period	17.43	15.85	17.76	17.22	14.97

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements may differ from the net asset value calculated for fund pricing purposes.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding.
- (3) Distributions were paid in cash.

Ratios and Supplemental Data	2021	2020	2019	2018	2017
Total net asset value (000's) ⁽¹⁾	\$20,864	\$22,567	\$29,713	\$28,808	\$25,048
Number of units outstanding ⁽¹⁾	1,197,334	1,423,998	1,672,870	1,672,870	1,672,870
Management expense ratio ⁽²⁾	2.38%	2.24%	2.10%	5.43%	2.03%
Management expense ratio before waivers or absorptions ⁽³⁾	2.38%	2.24%	2.10%	5.79%	2.56%
Trading expense ratio ⁽⁴⁾	0.07%	0.04%	0.10%	0.11%	0.06%
Portfolio turnover rate ⁽⁵⁾	36.45%	8.09%	16.81%	14.05%	24.49%
Net asset value per redeemable unit	\$17.43	\$15.85	\$17.76	\$17.22	\$14.97
Closing market price ⁽⁶⁾	\$15.35	\$15.10	\$17.75	\$15.28	\$14.00

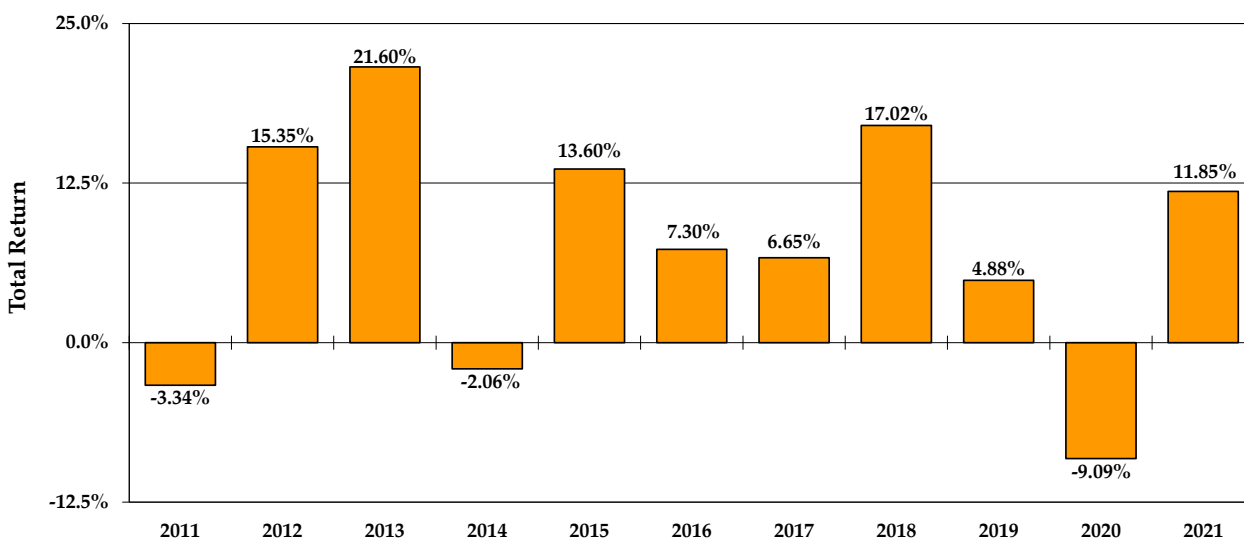
- (1) This information is provided as at December 31 of each year.
- (2) Management expense ratio is based on total expenses (excluding commissions and transaction costs) for the stated period and is expressed as an annualized percentage of weekly average net asset value.
- (3) The Investment Manager reduced Management Fees and Administrative Fees in order to pass the economic benefit of fees earned in connection with the SFG Services Agreement to unitholders. This figure represents what the MER would have been in the absence of these fee reductions.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the period.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its investments and is based on investment purchases or sales for the stated period (whichever is less) expressed as an annualized percentage of weekly average net asset value. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in the portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the fund.
- (6) The Closing market price refers to the last bid for a given period end.

PAST PERFORMANCE

The following performance information is based on the net asset value of the Fund, after all fees and expenses have been taken into account. Past performance is not indicative of future performance.

Year-by-Year Fund Returns

The following bar chart shows the performance of the Fund for each of the financial years ended 2011 to 2021. This chart shows in percentage terms how an investment in the Fund made on the first day of each financial year would have increased or decreased, by the last day of each financial year.



Annual Compounded Returns

The table below compares the Fund's historical annual compound returns to various Comparable Indices. The performance information presented assumes that all distributions made by the Fund are used to purchase additional units of the Fund. Please read the Appendix for further information on Ravensource's use of Comparable Indices.

As at December 31, 2021	1 Year	3 Years	5 Years	10 Years	Since ⁽²⁾ July 1, 2008
Ravensource Fund - RAV.UN ⁽¹⁾	11.9%	2.2%	5.9%	8.4%	7.9%
S&P/TSX Composite Total Return Index	25.1%	17.5%	10.0%	9.1%	6.0%
S&P/TSX Small Cap Total Return Index	20.3%	16.3%	5.7%	5.0%	3.7%
ICE BofAML US High Yield Index	5.4%	8.6%	6.1%	6.7%	7.7%
Credit Suisse Distressed Hedge Fund Index	12.5%	5.8%	4.6%	5.3%	4.1%

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

Returns are net of all fees and expenses.

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

(3) Returns are annualized.

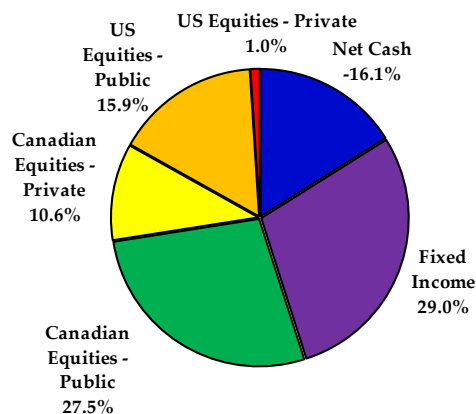
(4) Past performance is no guarantee of future results.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2021

By Industrial Group	% of Portfolio
Government	15.4%
Litigation Finance	19.4%
Financial	22.3%
Real Estate	12.2%
Steel	10.5%
Oil & Gas	8.4%
Media & Publishing	7.6%
Technology	4.2%
Total	100.0%

By Security Type - % of Net Assets



Top 25 Holdings Issuer/Security	% of Net Assets
Crystallex International 9.375% Senior Notes *	23.7%
Government of Canada 0.5% Bonds	19.0%
Dundee Corp. Series 3 Preferred Shares	17.2%
Genworth Financial Inc.	10.4%
Kiwetinohek Energy Corp. *	10.4%
Firm Capital Apartment REIT	10.3%
Quad Graphics Inc.	8.2%
Algoma Steel Group Inc.	8.0%
Stelco Holdings Inc.	4.9%
Brookfield DTLA Fund Office Trust Investor Inc.	4.8%
GXI Acquisition Corp. - Class B *	3.7%
GXI Acquisition Corp. - Class A *	1.5%
Spanish Broadcasting System Inc. *	1.2%
Old PSG Wind-Down Ltd. *	0.3%
Glacier Media Inc.	0.0%
Total % of Net Assets	123.7%

* Not publicly traded. Valued by independent 3rd parties, model, and/or last transaction price.

By Investment Strategy	% of Investment Portfolio	
	31-Dec-21	31-Dec-20
Distressed Securities	65.6%	57.2%
Special Situation Equities	19.0%	37.4%
Alternative Credit	15.4%	5.4%
Total	100.0%	100.0%

ADDITIONAL INFORMATION

RavenSource Independent Review Committee

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

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

The IRC is comprised of Michael Siskind (Chairman), David Magahey and Steven Schaus.

The fees and other reasonable expenses of members of the IRC are paid by the Fund. For 2021, the annual compensation for ordinary IRC members is \$10,000 while the Chair of the IRC will be compensated \$13,000. In addition, IRC members are entitled to \$600 per meeting for any additional meetings other than the annual meeting that occur during the year.

Access to Information

RavenSource Fund continues to be in compliance with the requirements of National Instrument 81-106 and publishes its 25 largest holdings quarterly and its net asset value weekly. All of the key Fund documents along with further information on the Fund and the investment team that manages your investments can be accessed through the website (www.ravenSource.ca). Stornoway is committed to keeping the website current and you are encouraged to make use of this resource tool. Aside from the website, Fund documents can also be retrieved through SEDAR (www.sedar.com).

Fund Information

Trustee, Registrar and Transfer Agent

Computershare Fund Co. of Canada

Auditor

KPMG LLP

Investment Manager

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

Investor Relations

Scott Reid
416-250-2845
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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 ICE Data Services and Credit Suisse.