



MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31, 2022

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 Trust may not update any forward-looking statements whether as a result of new information, future events or otherwise.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

THE TRUST

The Ravensource Fund (“Ravensource” or the “Trust”) is a closed-end investment trust whose units are listed on the Toronto Stock Exchange under the symbol RAV.UN and can be purchased / sold like any other publicly listed security. As of December 31, 2022, the net assets of the Trust were \$15.7 million and with 1,050,695 units outstanding, the net asset value (“NAV”) per unit was \$14.93. The closing/last bid for Ravensource units as of December 31, 2022 was \$11.86 and the last trade was \$14.62.

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 Trust are stated in the Declaration of Trust and on the Trust’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 Trust 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 2022. 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 Trust or cause the Trust 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 Trust 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, 2022 TO DECEMBER 31, 2022

Size of the Trust

Ravensource's net assets decreased by \$5.2 million or 24.8% during 2022 due to \$2.6 million in net operating losses, \$2.2 million in net investor redemptions and \$0.3 million of semi-annual distributions to unitholders. In comparison, Ravensource's net assets decreased by \$1.7 million or 7.5% over 2021.

Investment Performance

Ravensource's net asset value per unit ("NAV") decreased by \$2.20 or 12.6% over 2022 — after factoring in the semi-annual distribution paid to unitholders — due to the performance of its investment portfolio net of the fees and expenses associated with operating the Trust.

Ravensource's 2022 investment performance was positively impacted by our investments in Kiwetinohk Energy Corp. ("KEC") common shares, Stelco Holdings Inc. common shares, Dundee Corp. Preferred Shares, Genworth Financial Inc. common shares and Crystallex International Corp. senior notes. The remaining investments in our portfolio experienced mark-to-market declines to varying degrees, more than offsetting our positive gains.

KEC shares were the largest positive contributor to the performance of Ravensource in 2022, as the common shares generated a 26.6% return over the year, increasing the value of your Ravensource investment by 3.4%. This performance resulted from the company achieving key milestones, including the listing of its shares on

the Toronto Stock Exchange in January; initiation of coverage among major investment banks; and positive early results from its transformational drilling program.

Our January 2022 investment in Spark Power Group Inc. (“Spark”) common shares was a large detractor from the Trust’s return in 2022, causing the value of your Ravensource units to decline by 3.8%. Ravensource invested in Spark in January 2022 through a private placement alongside a rights offering which raised \$40 million to enable the company to de-lever and increase its financial flexibility. However, shortly after we invested, the company announced disappointing Q4 earnings resulting in a default of their bank debt and a decline in Spark’s share price from \$1.20 to \$0.66, and finished the year at \$0.48. As is the nature of distressed investing, the initial stages to turn around a company can be turbulent. Further, it is rare that we are so fortunate to invest at the nadir of a security’s price. While we are very disappointed in our Spark investment to date, the company has begun to show the early signs of a turnaround with positive financial performance in Q2 and Q3. There remains much wood to chop, however.

In addition to Spark Power, the other largest detractors from the Trust’s return in 2022 were our investments in: Algoma Steel; Brookfield DTLA; and Firm Capital Apartment REIT. Algoma’s negative performance was the result of one-time production issues from its single mill facility. These concerns exacerbated Algoma’s status as an orphan security and the demand for Algoma common shares was very limited over the year, resulting in an ailing share price. The company has corrected these issues and is back to producing steel at full capacity against a backdrop of strong steel demand and increasing pricing. Brookfield DTLA and Firm Capital REIT as real estate investments have both been impacted by the rising interest rate environment and heightened volatility in the asset class. We continue to believe our investments in the securities of these companies remain well covered by the asset values of the companies and catalysts exist in both situations to close the significant gap between their current price and value.

This brief discussion is further expanded upon in Ravensource’s Management’s Letter to Unitholders (the “LTU”). In the LTU we share our investment philosophy and approach that guides our investment decisions. The LTU also provides a deeper look at Ravensource’s investment results and developments in the portfolio during 2022 with the objective of helping you better understand your investment.

RECENT DEVELOPMENTS

Ravensource was active in 2022, investing 18.9% of its net assets. In addition to initiating an investment in Spark Power, the Trust increased its investments in Algoma Steel; Stelco; Kiwetinohk Energy Corp. Stelco Holdings and Quad Graphics. The Trust sold investments totalling 45.6% of its net assets, exiting investment positions in Glacier Media Inc. and Genworth Financial Inc. while reducing its position in several investments. Ravensource also exited its position in Canadian Government Bonds, using the proceeds to reduce its margin loan.

Ravensource ended 2022 with net leverage equal to 20.4% of total assets funded by the Trust’s margin facilities provided by its prime broker. To balance the risks associated with leverage, Ravensource’s investment portfolio is comprised of publicly listed securities (87.1% of net assets) that the Trust could divest to meet 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, 2022 amounted to \$223,656, including HST (December 31, 2021 - \$272,172). The breakdown of the fees is as follows:

i. Management Fee

The Management Fee is based on the Trust'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 \$250,000,000	0.65% of net asset value plus HST
Between \$250,000,001 and \$500,000,000	0.60% of net asset value plus HST
\$500,000,001 and more	0.55% of net asset value plus HST

The Management Fee for 2022 amounted to \$136,562, inclusive of HST (2021 - \$168,098).

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 Trust. The Administrative Fee is based on the Trust'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 \$250,000,000	0.35% of net asset value plus HST
Between \$250,000,001 and \$500,000,000	0.30% of net asset value plus HST
\$500,000,001 and more	0.25% of net asset value plus HST

The Administrative Fee for 2022 amounted to \$73,534 inclusive of HST (2021 - \$90,514).

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 2022 amounted to \$13,560, inclusive of HST (2021 - \$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 2022 amounted to nil (2021 - nil).

FINANCIAL HIGHLIGHTS

For the years ended December 31, 2018 to December 31, 2022

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

The Trust's Net Assets per Redeemable Unit (\$) ⁽¹⁾	2022	2021	2020	2019	2018
Opening Net Assets per Redeemable Unit	17.43	15.85	17.76	17.22	14.97
Increase (decrease) from operations:					
Interest and dividend revenue	0.41	0.09	0.30	0.46	0.34
Expenses	(0.53)	(0.40)	(0.34)	(0.39)	(0.87)
Realized gains (losses) for the period	(0.70)	0.39	0.44	0.10	4.46
Unrealized gains (losses) for the period	(1.38)	1.80	(2.01)	0.67	(1.38)
Total increase (decrease) from operations ⁽²⁾	(2.20)	1.88	(1.61)	0.84	2.55
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
Total distributions ⁽³⁾	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
Net Assets per Redeemable Unit, end of period	14.93	17.43	15.85	17.76	17.22

(1) This information is derived from the Trust'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	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$15,690	\$20,864	\$22,567	\$29,713	\$28,808
Number of units outstanding ⁽¹⁾	1,050,695	1,197,334	1,423,998	1,672,870	1,672,870
Management expense ratio ⁽²⁾	3.30%	2.38%	2.24%	2.10%	5.43%
Management expense ratio before waivers or absorptions ⁽³⁾	3.30%	2.38%	2.24%	2.10%	5.79%
Trading expense ratio ⁽⁴⁾	0.08%	0.07%	0.04%	0.10%	0.11%
Portfolio turnover rate ⁽⁵⁾	15.98%	36.45%	8.09%	16.81%	14.05%
Net asset value per redeemable unit	\$14.93	\$17.43	\$15.85	\$17.76	\$17.22
Closing market price ⁽⁶⁾	\$11.86	\$15.35	\$15.10	\$17.75	\$15.28

(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 Trust's portfolio turnover rate indicates how actively the Trust'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 Trust 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.

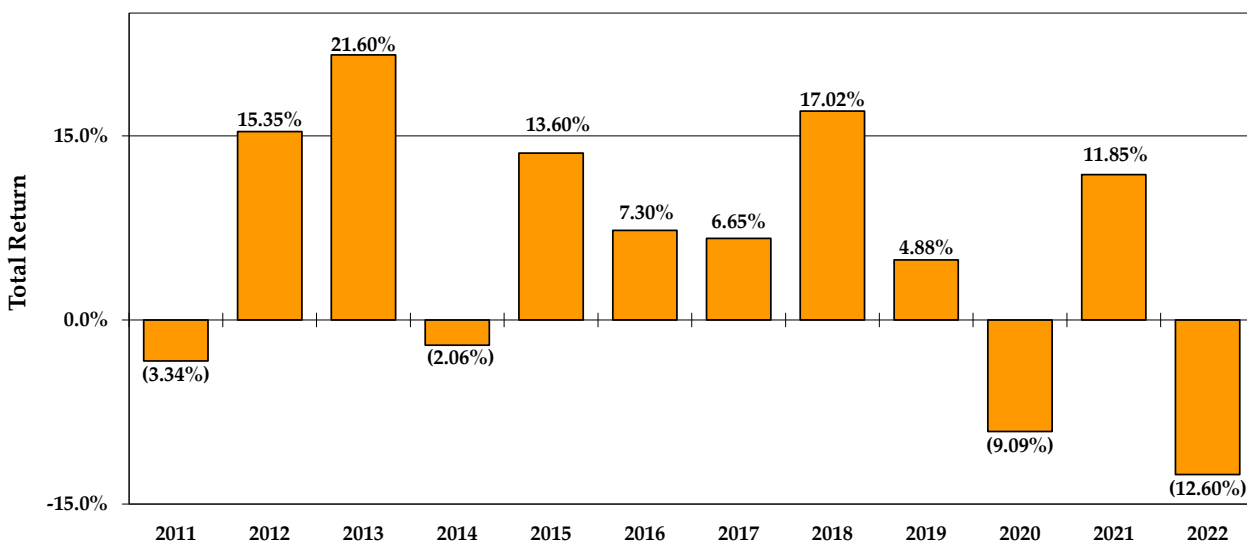
(6) The Closing market price refers to the last bid for a given period end.

PAST PERFORMANCE

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

Year-by-Year Trust Returns

The following bar chart shows the performance of the Trust for each of the financial years ended 2011 to 2022. This chart shows in percentage terms how an investment in the Trust 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 Trust's historical annual compound returns to various Comparable Indices. The performance information presented assumes that all distributions made by the Trust are used to purchase additional units of the Trust. Please read the Appendix for further information on Ravensource's use of Comparable Indices.

As at December 31, 2022	1 Year	3 Years	5 Years	10 Years	Since ⁽²⁾ July 1, 2008
Ravensource Fund - RAV.UN ⁽¹⁾	(12.6%)	(3.8%)	1.8%	5.4%	6.3%
S&P/TSX Composite Total Return Index	(5.8%)	7.5%	6.8%	7.7%	5.1%
S&P/TSX Small Cap Total Return Index	(9.3%)	7.2%	3.1%	4.2%	2.8%
ICE BofAML US High Yield Index	(11.2%)	(0.2%)	2.1%	3.9%	6.2%
Credit Suisse Distressed Hedge Fund Index	(4.5%)	3.7%	2.2%	3.6%	3.5%

(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.

Past performance is no guarantee of future results.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2022

By Industrial Group	% of Portfolio	Top 25 Holdings	% of Net Assets	
Issuer/Security				
Litigation Finance	27.2%	Crystallex International 9.375% Senior Notes *	34.5%	
Financial	17.0%	Dundee Corp. Series 3 Preferred Shares	21.9%	
Oil & Gas	16.5%	Kiwetinohk Energy Corp.	21.2%	
Steel	14.2%	Quad/Graphics Inc.	11.6%	
Media & Publishing	9.2%	Stelco Holdings Inc.	9.9%	
Real Estate	8.2%	Firm Capital Apartment REIT	8.6%	
Technology	5.1%	Algoma Steel Group Inc.	8.4%	
Industrial	2.5%	GXI Acquisition Corp. - Class B *	4.7%	
Total	100.0%	Spark Power Group Inc.	3.3%	
		Brookfield DTLA Fund Office Trust Investor Inc.	1.9%	
By Security Type	% of Net Assets	GXI Acquisition Corp. - Class A *	1.9%	
Net Cash	11.8%	Old PSG Wind-Down Ltd. *	0.4%	
Fixed Income	34.5%	Spanish Broadcasting System Inc. *	0.3%	
Canadian Equities - Public	73.3%	Total % of Net Assets	128.7%	
Canadian Equities - Private	6.6%	* Not publicly traded. Valued by independent 3rd parties, model, and/or last transaction price.		
US Equities - Public	13.8%	By Investment Strategy	% of Investment Portfolio	
US Equities - Private	0.4%		31-Dec-22	31-Dec-21
Margin Loan	(40.5%)	Distressed Securities	83.3%	77.5%
Total	100.0%	Special Situation Equities	16.7%	22.5%
		Alternative Credit	0.0%	0.0%
		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 Trust 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 Trust’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 Trust. For 2022, 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 Trust documents along with further information on the Trust 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, Trust documents can also be retrieved through SEDAR (www.sedar.com).

Trust 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 Trust's investment strategy, the Investment Manager does not believe there is an index that sufficiently resembles the Trust 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 Trust for comparison purposes. The Investment Manager has chosen indices that it believes are relevant to the investment mandate of the Trust and / or to capital markets in general. However, while each of these indices overlap with certain aspects of the Trust's mandate, none of them share significant similarities with the Trust'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 Trust's investment portfolio contains Canadian equity investments and the Trust'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 Trust 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 Trust 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 Trust 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 Trust invests in corporate debt securities that are rated below investment grade. However, the Trust's investment portfolio also includes defaulted debt and equity securities which are not included in the BAMLHY and thus the Trust'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 Trust's investment mandate broadly overlaps that of the funds that make up the CSDHFI. However, it is likely that the composition of the Trust's investment portfolio is unique from these peers and thus the Trust's performance may vary greatly from the CSDHFI.

As the Trust makes idiosyncratic investments in securities which are overlooked by the capital markets, the Trust's investment portfolio contains investments that are not likely included in any of the above indices and thus an investment in the Trust 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 Trust 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.