RAVENSOURCE
FUND

MANAGEMENT'S LETTER TO UNITHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTICE TO READER

Our goal for this letter is simple: report to Ravensource's investors in a candid fashion about the philosophy that guides our investment decisions; the rationale for and changes in Ravensource's investments; the performance of the investments over the reporting period; and some of the risks that Ravensource is exposed to. We produce this letter to impart knowledge, analysis and information to Ravensource's unitholders so that they can have a thorough understanding of their investment. However, this letter is a supplemental report to be read alongside 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 along with the Fund's proxy voting policies and procedures, proxy voting disclosure record, at your request, and at no cost, 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, 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", or "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.

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, with an emphasis on capital gains, through investments in selected North American securities. To achieve its investment objectives, Ravensource's investments fall primarily in three categories:

1. *High Yielding Securities:* investing in corporate debt, income fund units, or other securities that produce a sustainable high level of income for the underlying credit risk.

2. *Distressed Securities:* investing in corporate debt, creditor claims and/or equity securities of companies which are in, or perceived to be in, financial distress at a value materially different from what we believe to be the underlying fundamental value of the securities.

3. *Special Situations Equities:* investing primarily in Canadian and U.S. small and mid-cap equities that are not only attractively valued but also with catalysts to unlock value.

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.

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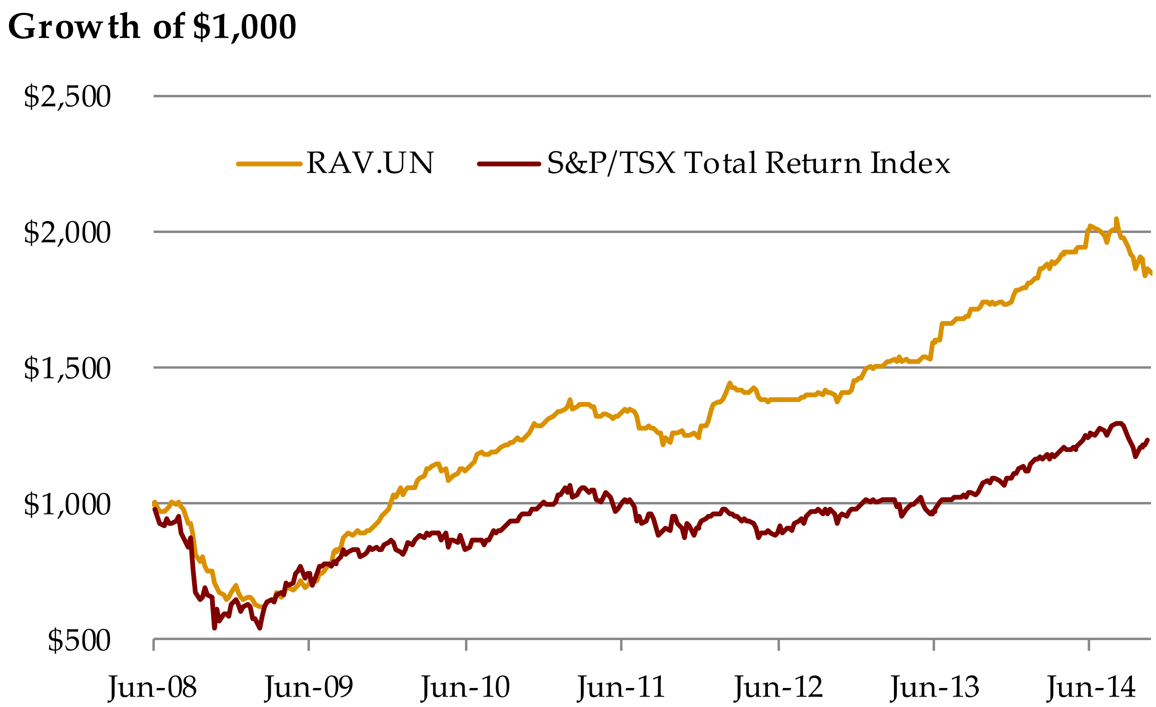

(1) Based on net asset value per unit, assuming all distributions are reinvested in units at net asset value.

Fellow unitholders,

Ravensource Fund's ("Ravensource" or "the Fund") net asset value ("NAV") per unit decreased by 2.1% after factoring in the receipt of distributions over the year ended December 31, 2014. The Fund's strong performance in the first half of 2014 was largely unwound in the second half, as the rapid decline in oil prices reclaimed the gains that our energy-sensitive investments generated in the earlier part of the year. As the S&P TSX Composite Total Return Index increased by 10.6%, our results were particularly disappointing as we failed to deliver positive returns in a year where the broader market index posted healthy gains.

Despite the disappointing results in 2014, the Fund has generated attractive returns over a longer time horizon. As of December 31, 2014, an investment in Ravensource units has increased by 73% or 8.8% annually, including re-invested distributions, since Stornoway Portfolio Management ("Stornoway") took over its management in July 2008. Over the same period, the S&P TSX Composite Total Return Index has increased by 22.7% or 3.2% annually.

The Ravensource Fund

To execute the investment strategy, Stornoway was appointed the Fund's Investment Manager on July 1, 2008. Stornoway's investment team is comprised of Scott Reid and Steve Schaus, whose bios are on the Ravensource website. In addition to Ravensource, Stornoway also manages the Stornoway Recovery Fund LP that is dedicated to investing in distressed securities.

Pat Hodgson along with the Stornoway investment team sits on Ravensource's Investment Committee that oversees the management of the Fund. Pat is the President of Cinnamon Investments, managed Ravensource until July 1, 2008, and is the Fund's largest unitholder.

We firmly believe that an investment manager should have "skin in the game". As of March 26, 2015, Scott owned 9.5% of the total units of Ravensource outstanding while Steve – directly and indirectly – owned 1.8% and Pat – directly and indirectly – owned 43.1%. In short, we have invested significant capital alongside other Ravensource unitholders and eat our own cooking.

Investment Performance

The ten investments that have made the most significant contributions – positively and negatively – to Ravensource's performance are found in the table below:

Investment		Per RAV Unit [1]	Period Return [2]
Specialty Foods Group Ltd.	Common Equity	$0.66	44.2%
Winpak Ltd.	Common Equity	$0.32	53.3%
Tuckamore Capital Management Inc.	Secured Debenture	$0.30	24.6%
Crystallex International Corp.	Senior Debenture	$0.28	31.2%
Supremex Inc.	Common Equity	$0.20	61.5%
Exall Energy Corp.	Convertible Debenture	-$0.16	-74.2%
Genworth Financial Inc.	Common Equity	-$0.30	-40.3%
Arcan Resources Ltd.	Convertible Debenture	-$0.33	-26.6%
Northern Frontier Corp.	Common Equity	-$0.55	-78.1%
Ivanhoe Energy Inc.	Convertible Debenture	-$0.77	-51.7%

1 Total investment income / # of RAV units outstanding

2 Total Investment Income / (December 31, 2013 Fair Value + YTD 2014 Purchases)

Total investment income = realized gains/losses + unrealized gains/losses + dividends + interest

We would like to review certain of the Fund's investments:

Specialty Foods Group Inc. ("SFG")

April 2014 marked the end of the SFG's 20-year contract to make, market and distribute Nathan's hot dogs. The end of the Nathan's contract necessitated the closure of the Chicago operation. We are proud to report that SFG, with help from Stornoway, designed and executed a wind-down plan to ensure that the goose keeps laying its golden eggs right up until the contract's expiry.

April also marked the beginning of SFG's future with Owensboro as its sole operation. At the time we invested in SFG, the Owensboro facility was running at 40% of capacity and burning cash. Our goal for Owensboro was modest: instill discipline into the pricing and operating decisions to restore it to profitability. The SFG team had greater ambitions and steadily grew Kentucky Legend hams into a super-regional product with the potential to become a national brand. The Owensboro facility is now effectively operating at 100% capacity and further growth is being fed by increasing production capabilities in 2015. Unlike Nathan's, Kentucky Legend is a company-owned brand, and its growth belongs to SFG and its shareholders.

When we enter into a new investment, we do so based on a conservative assessment of the value that can be created once the company has been de-stressed. We knew at the time of investment that the Nathan's contract had a finite term and our success required the harvesting of its free cash flow over its remaining life. We also knew that Owensboro would require an operational turnaround if it was to have any value. The first task required discipline, the second required vision, and both required significant effort by management and Stornoway. On achieving the first, SFG has proven to be a very good investment. As we achieve the second, it is turning out to be an exceptional one.

Winpak Ltd. ("Winpak")

We purchased Winpak in 2008 at bargain-basement prices when it was suffering from the high Canadian dollar and high raw material prices. Since 2008, Winpak has managed to hedge their exposure with US-based production and to increase their ability to pass on raw material price flucuations. Winpak has become a growth story through introducing innovative new products, particularly single serve products. A combination of no debt, product innovation, excellent management, and a weaker dollar has resulted in the share price rising by over 600% in the six years we have held the position, attracting a growth-company valuation in the process. While Winpak has earned this growth-story status, it needs to grow a lot faster than the food industry they serve to justify the current share price. It is possible they will meet these lofty expectations; management certainly has a stellar track record. However, for a value-oriented fund like Ravensource, it is just not in our DNA to pre-pay for success and subsequent to year-end, we sold approximately half of our position.

Supremex Inc. ("Supremex")

In many ways the Supremex story is the polar opposite of the Winpak story. Far from a growth story, the envelopes business has long since been in decline. As a former income trust and now a dividend-paying corporation, it has paid out much of its cash flow in distributions and has carried too much debt. Like Winpak, Supremex suffered from a strong Canadian dollar making sales into the US impossible and invited US competitors to undercut prices in Canada. More recently, however, the story has begun to improve. Pricing pressures have eased with the rapid decline of the Canadian dollar and they have started to reduce debt to more appropriate levels. They have also been able to cut costs and capture some new business with products targeting internet shopping. It is still not a growth story, but they look like a survivor in a declining industry. We invested in Supremex because of its attractive valuation relative to its cash flow. As its share price has continued to perform well early in 2015, it seems like we are not the only ones finally recognizing it.

Crystallex International Corp. ("Crystallex")

The value of our Crystallex bonds is a function of the size of a potential International Centre for Settlement of Investment Disputes ("ICSID") award, and the ability of the Venezuelan Government to pay it. 2014 was a year of steady progress in the ICSID proceedings, culminating in January 2015 when both parties filed submissions on their legal costs. This milestone typically signals the end of the ICSID process and based on precedents, judgment typically follows within 6 months / by July 2015.

Turning to the potential size of the award, we can look to Gold Reserve (TSX: GRZ), who had a neighbouring mine expropriated by Venezuela and was awarded U$740 million by the ICSID in September 2014. In comparing the two cases, the former Crystallex property has more than twice the gold as Gold Reserve's, and the damage claim that Crystallex publicly announced was approximately double that of Gold Reserve's.

While Gold Reserve's recent award by no means guarantees a victory for Crystallex, there are many similarities between the two that increase our conviction in our investment. Our analysis is further supported by Crystallex's ability to borrow in excess of $70 million from sophisticated lenders throughout its ICSID proceedings. At the December 31 market price of $50 per $100 face value, a Gold Reserve-sized award conservatively valued at just 25 cents on the dollar (less than half the market price of medium-term Venezuelan bonds) would generate a substantial return on our investment.

Arcan Resources Ltd. ("Arcan")
Beginning the year at $49 per $100 bond, peaking at $82 in June, and closing 2014 at $40, our investment in Arcan bonds has been volatile, both in terms of market value swings and corporate developments.

June's peak reflected a proposal from Aspenleaf Energy Limited ("Aspenleaf") to acquire Arcan's assets at a price that just covered its debt. Under the Aspenleaf proposal, bondholders were offered $82.50 per $100 bond with the residual $17.50 of bondholder value used as bait to secure shareholder approval. A fundamental tenet of the capital markets is that bondholders lay claim on the value of a company up to the amount of its debt while shareholders own the surplus. Stornoway opposed the Aspenleaf proposal on the basis that the value of its assets was sufficient to fully cover the debt at par yet were asked to accept a significant haircut.

Ultimately, both bondholders and shareholders rejected the Aspenleaf proposal and the price of Arcan's bonds slid back to pre-Aspenleaf levels. Together with a small group of other bondholders, Stornoway helped form an Ad-Hoc Committee and immediately went to work formulating an alternative plan – one that would significantly lower its debt / financial risk and put it on the path to prosperity. One of the distinguishing cornerstones of Stornoway's investment philosophy is when we say no to a proposal, we put forward an alternative solution to fix the problems facing the company.

The combined ingenuity, temerity and efforts of Stornoway, our fellow Ad-Hoc Committee members, and the excellent legal team at Goodmans resulted in a proposal to recapitalize Arcan by exchanging $171.25 million of convertible bonds into 92.5% of the company's equity. Announced by Arcan on December 19, 2014, the transaction was approved and completed in February 2015. In addition, Arcan added two members to its Board of Directors that were nominated by the Ad-Hoc Committee. We have confidence that the newly reconstituted Board has the gravitas and expertise to assess the problems and opportunities facing the company and to ensure the interests of all of its shareholder are well represented.

Following the recapitalization, Arcan has a much lower financial risk profile and a re-invigorated Board of Directors. We are attracted to Arcan' single reservoir asset base that is focused on production rather than exploration. While our Arcan investment detracted from the Fund's performance in 2014, we are confident that our patience and hard work will be rewarded.

Ivanhoe Energy Inc ("Ivanhoe")
Founded and led by famed mining entrepreneur, Robert Friedland, Ivanhoe's stated objective was "to create shareholder value by sourcing, negotiating and developing heavy oil opportunities." Armed with more than $300 million of capital, Ivanhoe sought to meet this objective by investing in a portfolio of large-scale, early-stage energy projects – projects that never came into fruition.

When we invested in Ivanhoe's bonds in mid-to-late 2013 we believed its assets would have value in the hands of better-capitalized developers, and could be sold at prices that exceeded the market price of its bonds. In recent court filings, Ivanhoe disclosed that they received proposals for these assets, which would have been "very positive for the Company." However, Ivanhoe did not complete these transactions and the value of its assets has since declined.

Our critical mistake was that we believed Ivanhoe's management and board would protect its assets for its creditors. Sometimes when a company finds itself in trouble, it swings for the proverbial homerun in the interest of "maximizing shareholder value," or to avoid the reputational harm that insolvency would inflict. To avoid that outcome, we reached out to Ivanhoe in late 2013 and again in June 2014 to spark restructuring discussions when they still had the means to do so. However, Ivanhoe did not engage with us until December 2014 at which point, it had run out of cash and its asset value had declined to a level where a financial restructuring could not resuscitate it.

Stornoway has a track record of exerting influence and championing solutions, but we need partners on both sides of the table willing to work with us. In the case of Ivanhoe, this partnership was not established when the company and its creditors needed it most. In February 2015, Ivanhoe sought court protection from its creditors and is working on a restructuring proposal. At this point, prospects for a good recovery on our existing investment are remote.

Relative Performance
Our objective is to produce significant long-term rates of return regardless of market conditions. This is called absolute performance and in 2014, we failed to meet our objective.

While generating absolute performance for the Fund's investors is our job, we believe that it is essential for investors to monitor their investments and in the case of investment funds, to judge the performance of their investment managers. To facilitate this process, we have identified several commonly used indices that correspond to the investments strategies that Ravensource employs:

1) *High Yielding Securities:* the B of A ML High Yield Master II Index is the most commonly used benchmark to track the performance of U.S. dollar denominated, high yield / below investment grade rated corporate debt.

2) *Distressed Securities:* the Credit Suisse Distressed Index is a widely recognized index that tracks the performance of funds whose mandate is to invest in distressed securities.

3) *Special Situations Equities:* we use both the S&P / TSX Composite along with the S&P / TSX Small Cap indicies as the Fund primarily invests in Canadian securities, many of which are smaller and under-followed companies.

The table below outlines the historical performance of Ravensource and the various indices. Please note that all returns are calculated on a total return basis and that while the table contains 10 years of data, Stornoway only became Ravensource's Investment Manager in July 2008.

As at 31-Dec-14	1 Year	3 Years	5 Years	Since [2] Jun-08
Ravensource Fund - RAV.UN[1]	**-2.3%**	**11.3%**	**12.0%**	**8.8%**
S&P/TSX Composite Total Return Index	10.6%	10.2%	7.5%	3.2%
S&P/TSX Small Cap Total Return Index	-2.3%	0.9%	3.0%	0.5%
BofA ML High Yield Master II Index	2.5%	8.4%	8.9%	9.4%
Credit Suisse Distressed Index	2.5%	10.0%	7.0%	4.9%

(1) Based on net asset value per unit, assuming all distributions are reinvested in units at net asset value.
(2) Stornoway Portfolio Management was appointed as Manager of the Ravensource Fund effective July 1, 2008.
(3) Returns are annualized, except YTD returns
(4) Past performance is no guarantee of future retults

As seen in the table above not only did we fail to deliver absolute returns in 2014, we delivered abysmal results against the indices we use to measure the Fund's relative performance.

Over a longer time horizon, our performance stacks up favorably against the indices the Investment Manager utilizes to measure the Fund's relative performance. Ravensource's NAV per unit has increased by 73% in total and 8.8% on an annualized basis, including re-invested distributions, since July 2008. By comparison, the S&P TSX Composite Total Return Index has increased by 22.7% in total / 3.2% annualized over the same time period.

Fund Liquidity and Investment Activity

Liquidity

Starting the year with 30.9% of the Fund's net assets in cash, by December 31, 2014 cash declined to 21.5% of net assets. The decline was due to investment transactions as purchases exceeded divestitures, combined with distributions, redemptions, and the payment of the 2013 incentive fee.

	Amount	per Unit	% of NAV [1]
Sources			
Investment Divestitures	6,539,145	3.90	29.86%
Dividends and Interest	636,565	0.38	2.91%
Foreign Exchange Gain on Cash	22,292	0.01	0.10%
Total	7,198,003	4.29	32.87%
Uses			
Investment Purchases	7,419,667	4.43	33.88%
Expenses	336,091	0.20	1.53%
Distributions to Unitholders	506,511	0.30	2.31%
Redemption of Units	350,510	0.21	1.60%
Net change in working capital	917,320	0.55	4.19%
Total	9,530,099	5.69	43.52%
Change in Cash	-2,332,096	(1.39)	-10.65%

(1) % of December 31, 2013 NAV

Investment Purchases
Where did we invest our capital? Approximately half of Ravensource's purchases were directed to establishing new positions, primarily in the shares of Coast Wholesale Appliances (CWA:TSX), Kickinghorse Energy (KCK:TSX) and Northern Frontier (FFF:TSX). The rest of the purchases were additions to our existing holdings of Ivanhoe Energy (IE:TSX), Arcan Energy (ARN:TSX) and Crystallex International bonds and in the shares of NAPEC Inc. (NPC:TSX).

NAPEC Inc. ("NAPEC")
NAPEC - a heavy electrical contractor for utilities and major construction projects - is one of our newer positons and still very much a work in progress. Melodrama in the boardroom over the past number of years culminated in the founders exiting their management position and equity ownership along with it. NAPEC's shareholders, caught in the crosshairs, have seen their investment decline over past two years. However, in late 2014 a new management team was installed to restore profitability, with a major initiative to integrate acquired businesses in order to realize cost synergies and improve risk management.

Time may prove to be NAPEC's friend as management's new cost controls and pricing discipline may lead to increased margins on new contracts that coincide with a series of unprofitable contracts rolling off the books. Underlying demand for their services is good given the infrastructure deficit in their markets, particularly in the aging electrical grid. This favourable backdrop, combined with a management team that is focused on running the business rather than board room battles, provides the opportunity for NAPEC to generate a level profitability more in line with industry norms. As often the case with turnaround situations like NAPEC, these potential levers of future profitability will take time to drop to the bottom line. However, the attractiveness of NAPEC is that, by our analysis, the potential for a successful corporate turnaround is not reflected into its share price. If the management team can prove the doubters wrong, our NAPEC share holdings should prove to be an excellent investment.

Divestitures
Approximately 87% of our divestitures during the period where the result of exiting positions, primarily our holdings of Tuckamore Capital Management (TX:TSX) bonds and the shares of Coast Wholesale Appliances (CWA:TSX), Canaccord Genuity Group (CF:TSX), Clairvest Group (CVG:TSX), and Connacher Oil and Gas (CLL:TSX). The rest of our divestitures where reductions in existing holdings of Ten Peaks Coffee (TPK:TSX), Supremex Inc. (SXP:TSX), and Indigo Books & Music (IDG:TSX).

Tuckamore Capital Management Inc. ("Tuckamore") Bonds
July 2014 marked the end of our very successful investment in Tuckamore bonds, exiting our position at a net price of $98.25. We decided that it was time to take our capital (and profits) off the table, as the 9.17% yield no longer met our return threshold. As a refresher, we commenced buying Tuckamore bonds in December 2009 at a price of $39 per $100 bond as the market price of its debt fell dramatically when the company defaulted on its debt. During the period of our investment, we opportunistically made additional purchases in periods of market weakness, as well as some opportunistic sales. All told, our Tuckamore investment generated a total return of 111% and annualized return of 29% over the term of our investment.

Risks

At the time of investment and throughout the period that we own a security, we take particular care in assessing its risk and the impact that it has on the portfolio. A key risk management tool is that we purchase securities at prices substantially below what we have identified as its margin of safety and often become actively involved to ensure that our rights are upheld. However, despite our thorough analysis and involvement, sometimes we are just wrong or the potential of a given investment does not materialize thus exposing our investors to a loss of capital.

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

There has been no change in the Fund's stated investment strategy or other changes that would materially affect the risk of investing in Ravensource in 2014. We continue to believe the Fund is suitable for those investors seeking 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.

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

Portfolio Composition

Investment Portfolio by Strategy

Over 2014, there was a small shift in the Fund's investment portfolio from Special Situation Equities to Distressed Securities. Consistent with 2013, the Fund had no investments in High Yielding Securities at December 31, 2014. The shift from Special Situations Equities towards Distressed Securities is partly the result of realizing gains in some of our Special Situation Equities positions combined with additional purchases in our Distressed Securities investments. We do not target specific strategy weightings; rather we select the most attractive investment opportunities wherever they are found.

By Investment Strategy	**% of Investment Portfolio**	
	Dec-14	**Dec-13**
Special Situation Equities	53.5%	55.3%
Distressed Securities	46.5%	44.7%
High Yielding Securities	0.0%	0.0%
Total	**100%**	**100%**

Investment Portfolio by Enterprise Value

The Fund's investment approach focuses largely on situations that are overlooked by traditional investors and where we can have influence and create value**.** As a result, the Fund's investments gravitate towards smaller companies. To put this in perspective, at December 31, 2014, the average enterprise value of the companies we are invested in is approximately $600 million versus $10 billion average – excluding bank shares – for the S&P TSX Composite index and $770 million for S&P TSX Small Cap index. In other words, the average non-bank company in the TSX Composite Index is approximately 13 times the average size of Ravensource's investments.

By Enterprise Value	**% of Investment Portfolio**	
	Dec-14	**Dec-13**
Less than $100 million	30.1%	24.1%
$100 - $250 million	27.9%	15.4%
$250 - $500 million	13.3%	29.2%
$500 million - $1 billion	6.8%	14.9%
> $1 billion	21.8%	16.4%
Total	**100%**	**100%**

Investment Portfolio by Industrial Group

While Ravensource does not specialize in specific industries, our experience and investment philosophy leads us to focus on companies with hard assets. At the risk of being called old fashioned, the portfolio has little exposure to Technology, Pharmaceutical and other companies whose primary assets are work-in-progress like buying a car with no steering or brakes. In our energy investments, we invest in companies that are geared towards harvesting their existing resources rather than exploring for new. We like to invest in companies in which we understand the products/services they offer and more importantly have a strong grasp of the business model and its tangible asset value. Further, our emphasis on an investment's margin of safety generally results in avoiding the more sensitive sectors of the economy.

By Industrial Group	**% of Portfolio**
Food Products	24.6%
Metals & Mining	20.1%
Energy	18.0%
Paper & Packaging	12.7%
Financial	7.7%
Real Estate	6.2%
Industrial	4.9%
Media & Publishing	3.5%
Construction	1.7%
Retail	0.6%
Total	**100%**

Concentration

As we believe that the most effective method to reduce/manage risk is to know your investments inside and out and that one of the Fund's biggest investments is the time it takes the team to uncover, protect and maximize the value of our investments, Ravensource may be a more concentrated portfolio than other investment funds. However, the Fund currently has only four investments exceeding 5% of NAV as we exited some of our larger positions. After cash, the next top 10 investments – ranked by market value – represented 61.7% of NAV as of December 31, 2014, up versus 58.9% from the start of the year. Going forward, we expect that the Fund will continue to increase its exposure in positions that we know the best and hold the strongest convictions.

Expenses

Ravensource's expenses include investment management fees, Trustee fees, TSX listing fees, taxes (including but not limited to GST/HST), interest and borrowing costs, accounting and audit expenses, IRC costs, legal and professional expenses. The annualized Management Expense Ratio ("MER") measures the amount of annual fund expenses expressed as ratio to average net assets and is commonly used by investors and fund analysts to compare the operating costs of an investment fund.

In the case of Ravensource and other funds that have an incentive fee structure, the MER is a little more complicated. Incentive fees are different than other fund expenses as they are not naturally reoccurring but are only incurred / paid at the end of the year if the annual investment performance of the Fund exceeds the 5% hurdle rate while meeting other conditions. Considering this, we believe the appropriate way to incorporate the incentive fee is to report the MER on both a pre and post incentive fee basis and not to annualize the incentive fee for interim periods.

Management Expense Ratio Composition	**2014**	**2013**
Management, administrative and IR fees	0.68%	0.68%
Legal fees	0.14%	0.38%
Accounting fees	0.11%	0.11%
Trust administration and transfer agency fees	0.10%	0.12%
Audit fees	0.10%	0.12%
Listing fees	0.08%	0.10%
Other expenses	0.06%	0.06%
Independent review committee fees	0.03%	0.04%
Expenses before incentive fee	**1.31%**	**1.60%**
Incentive fee	0.05%	4.43%
Total expenses	**1.36%**	**6.03%**

For the year ended December 31, 2014, Ravensource's annualized MER, excluding the incentive fee, was 1.31%, a decrease of 29 basis points versus 2013 levels. This decrease in the MER is primarily due to lower legal fees as the Fund incurred significant legal expenses in connection with negotiations relating to its Crystallex position during 2013.

Management, Administrative and IR Fees amounted to 0.68% of average net assets for 2014, unchanged from 2013. The Investment Manager continued to reduce Management and Administrative Fees changed to the Fund as a result of the policy of passing along the economic benefit of fees received from investees to the Fund. In 2013 and 2014 the Investment Manager received fees from Specialty Foods Group in exchange for providing strategic advice and analysis – for further details see the notes to the financial statements.

The Incentive Fee accrued for 2014 amounted to $11,343 or 0.05% of average net assets, versus an incentive fee of $891,886 or 4.43% for 2013. The 2014 Incentive Fee entirely relates to units redeemed under the annual redemption priveledge.

Factoring in the impact of the incentive fee, Ravensource's MER for 2014 was 1.36% versus 6.03% for 2014. The 467 basis point decrease in the MER is due to the decrease in legal fees and incentive fee as noted above.

Distributions

Ravensource's distribution policy is to make semi-annual distributions to unitholders in an amount to ensure that it does not incur any tax while providing a reasonable yield. Total distributions for the year ended December 31, 2014 amounted to $0.30 per unit, up from total distributions of $0.24 per unit for 2013. Using December 31, 2014's closing bid price of $13.25, the units had an annualized current yield of 2.3% assuming distributions remain constant.

Concluding Remarks

2014 was a volatile year for the Ravensource Fund from a performance perspective, the primary cause of which was our holdings in energy related investments. The decline in oil prices in the 4th quarter of 2014 erased approximately $1.90 per unit of value, wiping out the significant gains that our non-energy related investments delivered over the course of 2014.

While the Fund's investment returns were abysmal in 2014, this only tells part of the story. Long-run success when investing in distressed securities and special situation equities is a result of achieving milestones. Although we failed in our job to deliver positive returns in 2014, we believe that the milestones achieved in 2014 have laid the foundation for future performance, and will allow the Fund to build on its long-term record of delivering strong results for its investors.

Please feel free to contact us – we look forward to hearing from unitholders. Any ideas that the Fund should consider or any opinions on existing positions are welcome. We also encourage any feedback on how investee companies treat their customers, employees, communities and the environment.

We are appreciative of your partnership, trust and patience.

March 31, 2015	Scott Reid, CFA Chief Investment Officer	Steve Schaus, CA, CFA Partner

Stornoway Portfolio Management Inc.
Investment Manager of the Ravensource Fund

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