



Ravensource Fund Independent Review Committee 2017 Report to Securityholders

Dear Securityholder,

In response to National Instrument 81-107 and to provide an arms-length vehicle to deal with matters that involve potential conflicts of interest between the Ravensource Fund and the Investment Manager – Stornoway Portfolio Management Inc. – the Ravensource Fund established and maintains an Independent Review Committee (“IRC”).

Under NI 81-107, the IRC reviews potential conflicts of interests referred to us by the Investment Manager and makes approvals and recommendations on whether a course of action achieves a fair and reasonable result for the Ravensource Fund. The scope of our review will include whether the policies and procedures of the Investment Manager related to conflicts of interest are effective and adequate.

We are pleased to continue to serve the interests of the Fund and to publish the annual report to securityholders of the Ravensource Fund that describes the mandate of the IRC and its activities for the financial year ending December 31, 2017. This report is available on the Ravensource Fund website at <http://www.ravensourcefund.ca> or you may request a copy, at no cost to you, by contacting the Investment Manager at 416-250-2845 or by emailing info@stornowayportfolio.com. This document and other information about Ravensource Fund are available on the www.sedar.com and the Ravensource Fund website.

Michael Siskind
Chair of the Ravensource Fund Independent Review Committee
March 26, 2018

RavenSource Independent Review Committee 2017 Report to Securityholders

The Independent Review Committee (IRC) for RavenSource Fund (the “Fund” or “RavenSource”) annually reports to the security holders its activities for each financial year. The IRC held its annual meeting on November 29, 2017, and the following report summarizes the activities of the IRC in 2017.

Composition of the Independent Review Committee

Name and municipality of residence	Principal Occupation	Term of Office
Michael Siskind, Chair Toronto, Ontario	Principal, Decade Group Inc	Initially Appointed: May 2007 Re-appointed December 2017 for a three-year term.
David Magahey London, Ontario	Corporate Director	Initially Appointed: May 2007 Re-appointed December 2017 for a one-year term.
Michael Gardiner Toronto, Ontario	Chairman, Fairwater Capital Corporation	Initially Appointed: May 2009 Re-appointed December 2017 for a two-year term.

The committee has reviewed and is satisfied with the independence of its members and the effectiveness of the committee.

The current term limit for an individual to serve on the IRC is two consecutive 3-year terms unless the Investment Manager consents that a member(s) can serve a longer term. Citing operational continuity benefits, the Manager provided consent for the existing IRC members to serve beyond their term limits at the 2017 annual meeting. These re-appointments were staggered, so that one IRC member’s term expires per year, in accordance with Canadian Securities Administrators best-practice recommendations. The Investment Manager and the committee agreed that such an extension will not negatively impact the independence of the committee members.

There were no changes to the composition of the IRC in 2017.

IRC Charter Review

Beginning in November 2017, the IRC, in consultation with the Investment Manager, undertook a detailed review of the IRC charter, which was last updated in 2012. Both the IRC and the Investment Manager engaged external counsel with specific expertise in IRC matters and NI 81-107 to assist in evaluating the charter and to provide recommendations on ensuring it continues to reflect industry best practices and guidelines. These discussions between the IRC, Investment Manager and external counsel resulted in a new charter with enhanced clarity and detail, but which does not alter the mandate and responsibilities of the IRC.

The new charter was approved and adopted at a meeting held in January 2018.

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Ownership of securities by IRC Members

In the Fund

As at December 31, 2017, the members of the IRC did not beneficially own, directly or indirectly, in aggregate above ten (10%) percent of the units in any series or class of the Fund.

In the Investment Manager

As at December 31, 2017, none of the members of the IRC beneficially owned, directly or indirectly, any securities of the Investment Manager.

In any service provider

As at December 31, 2017, Mr. David Magahey beneficially owned 180 common shares of Bank of Montreal. Bank of Montreal provides Prime Brokerage and custodial services to the Fund.

None of the members of the IRC beneficially owned, directly or indirectly, any securities of a person or company providing services to the Fund or to Stornoway Portfolio Management Inc. (the “Manager”), the Investment Manager of the Fund, other than noted above.

Compensation and Indemnities

For the year ended December 31, 2017, compensation for IRC members comprised an annual retainer of \$1,600 plus an additional \$600 per meeting for any additional meetings other than the annual meeting that occur during the year. In addition, the Chair of the IRC received an additional \$1,000. The aggregate compensation paid to the IRC by the Fund for 2017 was \$5,800, \$1,800 less than the cost incurred in 2016 as there was one additional IRC meeting in 2016.

At least annually, the IRC will review its compensation, giving consideration to the recommendation of the Investment Manager and to the following:

1. the best interests of the Fund and its securityholders;
2. the nature and complexity of the Fund;
3. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy of each member; and
4. industry best practices, including industry averages and surveys on compensation paid to the IRCs of Canadian investment funds.

In December 2017, the Investment Manager presented a recommendation to increase the IRC’s compensation, which has not changed since 2008. The recommendation was based on an analysis it conducted of public fund data for 15 managers and over 300 funds. The Investment Manager created a dataset of IRC compensation arrangements, and within this dataset, identified a “peer group” based on their similar asset sizes and complexity of mandate as measured by number of funds for which each IRC is responsible. RavenSource ranked the lowest in aggregate

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compensation within this peer group, while the median compensation per IRC member and median aggregate compensation in the peer group was \$9,750 and \$30,000, respectively.

It is the Investment Manager's belief that the Fund is best served by retaining high-quality IRC members, and in order to do so, IRC members should receive market-level compensation. The Investment Manager therefore recommended increasing the IRC's annual retainers to \$12,000 for the chairperson and to \$9,000 for the other members of the IRC, bringing total annual compensation to \$30,000, in line with the "peer group" on an individual and aggregate basis.

The IRC accepted the Investment Manager's recommendation at a meeting held in January 2018 and the updated compensation arrangement will be effected for the financial year ended December 31, 2018.

Conflicts of Interest

The IRC discussed the Fund's investments in Specialty Foods Group ("SFG"), GXI Acquisition Corp. ("GXI") and Firm Capital American Realty Partners ("Firm Capital USA"). Mr. Reid, President of RavenSource's Investment Manager, Stornoway Portfolio Management Inc. ("Stornoway"), is on the board of directors of SFG, GXI and Firm Capital USA. Both RavenSource and another investment fund that Stornoway manages have investments in SFG, GXI and Firm Capital USA in the form of common shares. The IRC is satisfied that no conflict exists for these investments.

For the period ending December 31, 2017, the IRC is not aware of any instance where the Investment Manager acted in a conflict of interest matter referred to the IRC that was contrary to the IRC's recommendation.

The IRC is required to report to the OSC any instance where the Investment Manager did not meet a condition imposed by the IRC in its recommendation or approval. We report that no such situation existed in 2017.

Standing Instructions

The IRC has issued standing instructions to the Investment Manager that require it to comply with all of its policies and procedures in respect to the conflict of interest matters, and to report to the IRC as to its compliance thereof. The standing instructions require the Investment Manager to comply with the following policies and procedures:

- Conflicts of Interest
- Related Registrants and Connected Issuers
- Complaints Process
- Selection and Oversight of Third Party Service Providers
- Referral Arrangements
- Ethical Walls
- Investment Decision Process
- Fair Allocation of Investment Opportunities
- Trading Process – Order Execution
- Trading Process – Best Order Execution
- Trading Process – Trade Dispute Resolution Process

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- Soft Dollar and Commission Policy
- Early Warning and Insider Reporting Policy
- Restricted Trading Policy
- NAV and Performance Calculation Policy
- NAV Calculation Error Correction Policy
- Proxy Voting Process
- Advisory Services Fee – Investee Companies
- Personal Trading Policy

The Investment Manager reviews and revises its Policies and Procedures Manual on an ongoing basis to address any changes in regulatory requirements or in the business practices for investment managers / investment funds. Over the course of 2017, RavenSource's Investment Manager revised several policies and procedures to reflect changes to the compliance regime of the Investment Manager and industry practices. These changes, and each of the policies and procedures that make up the standing instructions, were reviewed with the Investment Manager during the 2017 IRC annual meeting.

For the period ending December 31, 2017, the IRC, relying upon the representations of the Investment Manager, was not aware of any instance in which the Investment Manager acted contrary to any conditions imposed by the IRC in its standing instructions.