



RavenSource Fund Independent Review Committee 2018 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 has maintained an Independent Review Committee (“IRC”) since 2007.

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. On an annual basis, the IRC will review 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, 2018. 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 6, 2019

RavenSource Independent Review Committee 2018 Report to Securityholders

The Independent Review Committee (IRC) for RavenSource Fund (the “Fund” or “RavenSource”) annually reports to the securityholders its activities for each financial year. The IRC held its annual meeting on November 30, 2018 (the “2018 Annual Meeting”) and the following report summarizes the activities of the IRC in 2018.

Composition of the Independent Review Committee

Resignation of Michael Gardiner

After nine years of service as a member of RavenSource’s IRC, Michael Gardiner tendered his resignation from the IRC effective June 22, 2018 to pursue personal interests. Michael was a valuable sounding board whose input was a benefit to IRC members and unitholders. He was particularly instrumental in the recent update of the IRC Charter and governance structure. In short, Michael left the IRC in a better position than when he found it nine years ago. We thank him for these significant contributions and wish him well.

With Michael Gardiner’s resignation, the Investment Manager followed the process outlined in the IRC charter to find and recommend a replacement.

Appointment of Steve Schaus

After considering various interested parties and consulting with counsel and the IRC in assessing candidates, the Investment Manager concluded that Steve Schaus met the nominating criteria to serve on the IRC.

Steve brings a wealth of relevant skills and experience to the IRC developed over his 20-plus-year career in the capital markets. Steve was trained as an accountant and became a senior restructuring professional at Ernst & Young. In 2000, Steve moved to the investment business where he became a Director in Scotia Capital’s proprietary trading group focused on investing in distressed debt, special situations equities and preferred shares. In 2011, Steve joined Stornoway, RavenSource’s Investment Manager, as a Partner and Portfolio Manager, prior to leaving on December 31, 2015, to pursue other interests. Steve currently serves as Chief Compliance Officer at Hillmount Capital Management, a private mortgage originator and lender, and has various other business interests. Steve’s combination of accounting, capital markets, and investment expertise along with his first-hand knowledge of compliance issues including potential and real conflicts of interest associated with the investment management business, make Steve an excellent addition to the IRC.

The Investment Manager, in consulting with legal counsel, considered whether Steve met the criteria under the IRC charter as an independent IRC member given his prior employment with the Investment Manager. Based on the multi-year lapse since his employment at the Investment Manager and given he has no economic ties to the Investment Manager, it was determined that Steve met the IRC membership criteria.

In its recommendation to the IRC, the Investment Manager specifically addressed Steve’s independence. The IRC considered and accepted the Investment Manager’s recommendation and Steve was appointed at an IRC meeting held on September 6, 2018.

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The membership of RavenSource's IRC as of December 31, 2018, is as follows:

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 3-year term.
David Magahey London, Ontario	Corporate Director	Initially Appointed: May 2007 Re-appointed November 2018 for a 3-year term.
Steve Schaus Aurora, Ontario	Chief Compliance Officer, Hillmount Capital	Initially Appointed: September 2018 Initial term: 3 years

At the 2018 Annual Meeting, the committee reviewed and was 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 David Magahey to serve beyond his term limit at the 2018 Annual Meeting. The IRC re-appointments are staggered 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.

IRC Charter Review

Beginning in November 2017, the IRC, in collaboration 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 an updated charter with enhanced clarity and detail.

The new charter was approved and adopted at a meeting held January 24, 2018.

Ownership of Securities by IRC Members

In the Fund

As at December 31, 2018, 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, 2018, none of the members of the IRC beneficially owned, directly or indirectly, any securities of the Investment Manager.

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In any service provider

As at December 31, 2018, 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 Investment Manager of the Fund, other than noted above.

Compensation and Indemnities

For the year ended December 31, 2018, compensation for IRC members comprised an annual retainer of \$9,000 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 incremental \$3,000 annually for his additional responsibilities.

The aggregate compensation paid to the IRC by the Fund for 2018 was \$33,000 (2017 - \$5,800). As disclosed in the 2017 Report to Securityholders, Ravensource's Investment Manager did a thorough review of the Canadian IRC landscape and found that the compensation to Ravensource's IRC members was significantly below its peers. The Investment Manager presented its recommendation to increase the compensation at the 2017 annual meeting which was accepted by the IRC and took effect in January 2018. Prior to the 2017 annual meeting, the IRC's compensation had not changed since its inception in 2007.

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.

For its 2018 annual compensation review, the Investment Manager conducted an analysis of public fund data and the previously identified peer group of funds which have similar asset size and complexity of mandate. The Investment Manager concluded that the compensation for Ravensource's IRC members was consistent with that peer group and recommended that the IRC's compensation remain unchanged for the year ending December 31, 2019. That recommendation was accepted by the IRC.

Since inception of the IRC in 2007, IRC members have been indemnified by the Fund under the IRC charter as well as under section 13.4.1 of the Declaration of Trust. In 2017, as part of a general review of the IRC, the Investment Manager concluded it would be prudent, appropriate and in

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the best interests of the Fund and IRC members to enter into formal indemnity agreements and to obtain insurance coverage.

The indemnity agreements and insurance proposal were presented to the IRC at its annual meeting held on November 29, 2017, and subsequently executed by all parties in 2018.

Conflicts of Interest

As detailed in “Appointment of Steve Schaus”, at a special meeting to review the potential candidacy the IRC discussed Steve Schaus’ prior relationship with the Investment Manager and was satisfied that he met the independence criteria outlined in the IRC charter.

The IRC discussed the Fund’s investments in Seabiscuit Representative LLC (“Seabiscuit”), the post-transaction entity of Specialty Foods Group; Guestlogix Inc. (“Guestlogix”) and 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 Seabiscuit, Guestlogix, GXI and Firm Capital USA. Both RavenSource and another investment fund that Stornoway manages have investments in Seabiscuit, GXI and Firm Capital USA in the form of common shares. The IRC is satisfied that no conflict exists for these investments.

The IRC discussed the Investment Manager’s proposal that the Fund enter into a Recirculation Agreement with BMO Nesbitt Burns to recirculate units tendered for redemption under RavenSource’s Annual Redemption Right. The IRC concluded entering into a Recirculation Agreement did not constitute a conflict of interest and that the successful recirculation of units would benefit unitholders.

For the period ending December 31, 2018, 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 2018.

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

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- Fair Allocation of Investment Opportunities
- Trading Process – Order Execution
- Trading Process – Best Order Execution
- Trading Process – Trade Dispute Resolution Process
- Soft Dollar and Commission Policy
- Early Warning and Insider Reporting Policy
- Restricted Trading Policy
- Ravensource Fund - SPM Employee Redemptions
- NAV and Performance Calculation Policy
- NAV Calculation Error Correction Policy
- Proxy Voting Process
- Expense Allocation Policy
- 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 2018, 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 2018 Annual Meeting.

In 2018, the Investment Manager adopted a new policy “Ravensource Fund - SPM Employee Redemptions” that requires the Investment Manager to issue a press release no later than 30 days prior to the expiry of the annual redemption request in the event that an employee of the Investment Manager elects to redeem units under the annual redemption right. The purpose of this policy is to give advance notice to all unitholders so that they may consider the redemption actions by the employees of the Investment Manager in determining their own redemption decision.

For the period ending December 31, 2018, 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.