



# Recirculation Opportunity

September 2019

# Disclaimer

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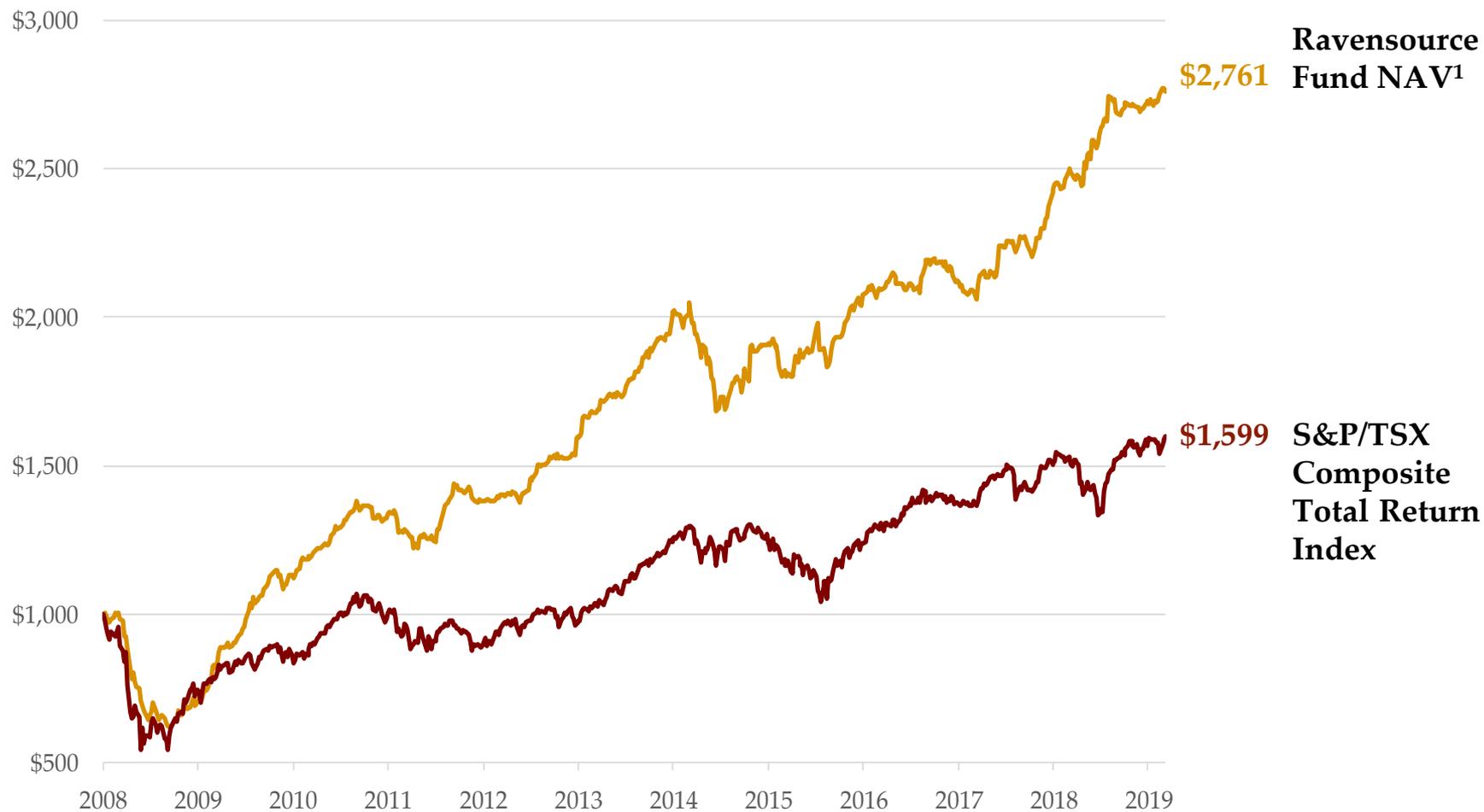
Although we believe the information provided in this presentation to be correct, it is not intended to provide complete or full disclosure of Ravensource Fund (“Ravensource” or the “Fund”). This presentation should be considered as a supplement to the Fund’s financial statements, Management Report on 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](http://www.ravensource.ca), or the SEDAR website at [www.sedar.com](http://www.sedar.com).

This presentation is qualified in its entirety by the Fund’s Amended and Restated Declaration of Trust, dated August 7, 2019 (the “Declaration of Trust”). In the event of any inconsistency between the information provided herein and that contained in the Declaration of Trust, the latter shall govern.

All index performance information has been obtained from third parties and are shown for information purposes only. Past performance is no guarantee of future results.

# RavenSource: Long-Term Value Creation

## Growth of \$1,000



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

# About Ravensource

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- The Ravensource Fund (“Ravensource” or the “Fund”) is an alternative investment fund publicly listed on the TSX (ticker: RAV.UN)
  - ❑ Eligible for registered accounts (e.g. RRSP, TFSA, RESP, RRIF)
  - ❑ Stornoway Portfolio Management (“Stornoway”) has managed Ravensource since July 2008
  
- Ravensource seeks to achieve absolute returns by taking a hands-on approach to investing in deep-value North American securities overlooked by other investors
  - ❑ Employs an analytically rigorous diligence process to identify compelling opportunities
  - ❑ Will get actively involved to protect, create and capture value identified at time of investment
  
- The Fund invests in distressed securities, alternative credit, and special situation equities
  - ❑ Private equity and alternative fund strategies not typically offered in mutual funds, ETFs, etc.
  
- Ravensource’s Recirculation offers investors a once-a-year opportunity to purchase more units than are generally available on the market

# The Recirculation Opportunity

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- Each September, Ravensource investors have the right to redeem units for cash at 100% of net asset value
- In turn, Ravensource has the right to recirculate the units tendered for redemption to interested buyers (“the Recirculation Opportunity”)
- All previous Recirculation Opportunities – 2009, 2010, 2013, 2017 and 2018 – were fully subscribed
  - ❑ Investors who took advantage of previous Recirculation Opportunities were significantly better off than if they had invested in the S&P/TSX Total Return Index

	Value of \$1,000 Invested in:		% Difference
	Ravensource	S&P / TSX	in Total Value
2009	\$3,409	\$1,929	76.7%
2010	\$2,366	\$1,707	38.6%
2013	\$1,689	\$1,532	10.3%
2017	\$1,358	\$1,125	20.7%
2018	\$1,116	\$1,053	6.0%

- Ravensource engaged BMO Nesbitt Burns Inc. as the Recirculation Agent to recirculate those units tendered for redemption, creating an opportunity for purchase by interested investors
- The details of this year’s Recirculation Opportunity are as follows:
  - ❑ Number of units available for purchase: 60,542
  - ❑ Recirculation price per unit: \$17.8565

# Why Invest in Ravensource?

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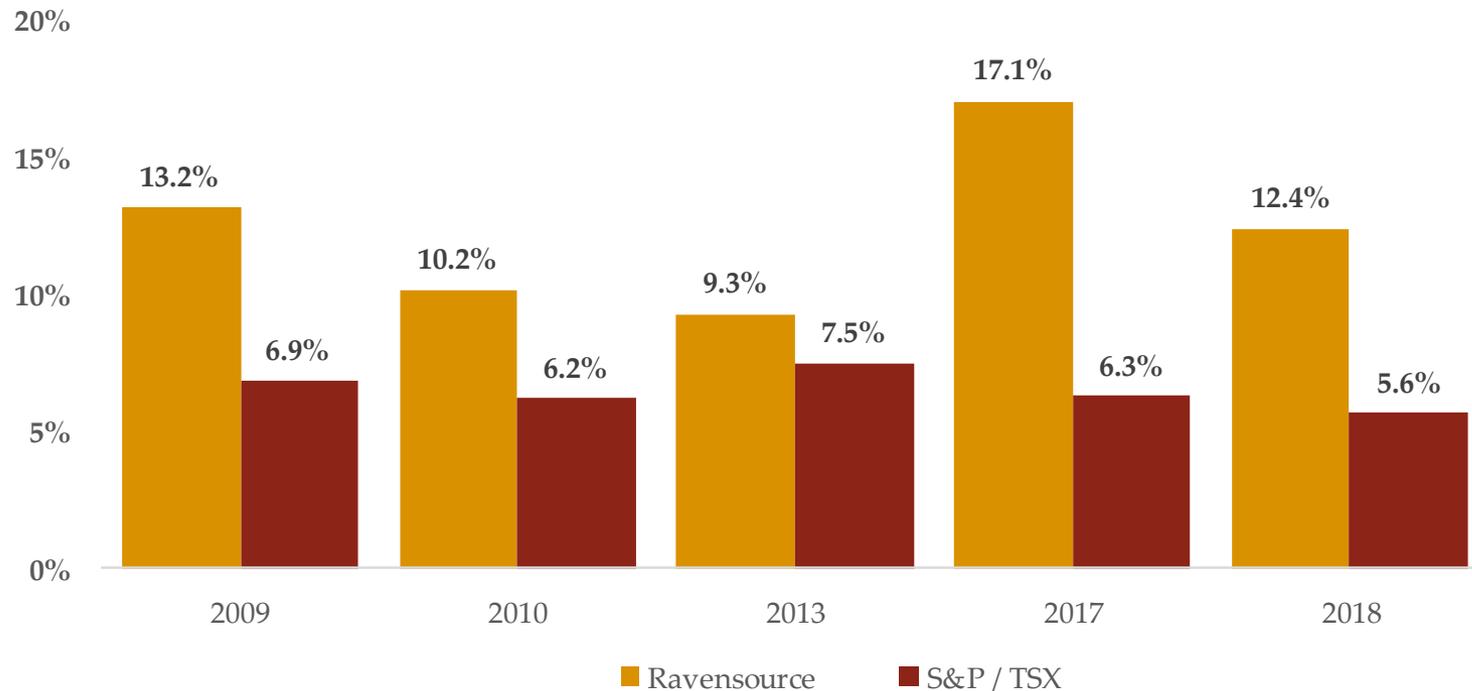
- *Proven 10+ year track record of long-term value creation*
  - ❑ A \$1,000 investment has grown to \$2,761 since Stornoway became the Fund's manager in July 2008
    - Worth 73% more than \$1,000 invested in the S&P / TSX over the same time period
  
- *Unique investment vehicle*
  - ❑ Exposure to alternative fund strategies not typical in a mutual / closed-end fund
  - ❑ Powerful diversifying effect on investor portfolios due to low correlation to other asset classes
  
- *"Parts & Labour"*
  - ❑ Most investment managers take a passive approach to their investments — we don't
  - ❑ We often act as the tip of the spear by getting actively involved in investments to effect change
  - ❑ We believe our active involvement both de-risks investments and expands returns
  
- *Strong alignment between Stornoway — the Investment Manager — and Ravensource investors*
  - ❑ Core tenet of Stornoway: we treat investors as partners, because they are
  - ❑ Incentive fee earned only for positive performance, after investors first earn a minimum 5% return
  - ❑ Stornoway employees have significant "skin in the game" and own ~10% of Fund units

# Investor Returns from Past Recirculations

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- Investors who took advantage of previous Ravensource Recirculation Opportunities have significantly outperformed the S&P / TSX

## Annualized Returns from Prior Recirculations



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## **SECTION 1**

**How We Create  
Value for Investors**

# Our Investment Approach to Create Value

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- We invest in compelling opportunities that leverage our “edge” and expertise
  - ❑ Deep value opportunities with catalysts to unlock / crystallize value identified at time of purchase
  - ❑ Sweet spot: small- to mid-cap North American companies overlooked by larger investors
  
- Our best opportunities come from most investors’ “too hard” pile
  - ❑ Companies that are overlooked, misunderstood or left for dead
  - ❑ e.g. those in financial distress, facing acute issues, or undergoing complex change
  
- We often benefit being “buyer of last resort” as few investors have the skillset or fortitude to do what we do
  - ❑ Lack of competition enables us to capitalize on panicked sellers to pick up bargains / act
  - ❑ Low purchase price decreases investment risk and enables significant returns
  
- To create value, we:
  - ❑ Conduct rigorous analysis to determine if ‘diamonds in the rough’ merit investment
    - Structured and disciplined process designed to generate repeatable and superior performance
  - ❑ Attain a position of influence / change agent to unlock and create value
    - Sit on boards / creditor committees, and build partnerships with key stakeholders / management
  - ❑ Crystallize our investment when price = value
    - Often sign support agreements & help ready company for sale or facilitate a corporate action

# Our Edge

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## Expertise

- Deep analytical capabilities across the capital structure
- In-depth knowledge of credit markets, restructuring process and complex investments

## Experience

- Proven track record of creating value for investors over 15 years
- Extensive experience as investors / advisors / analysts on all sides of the table

## Network

- Strong relationships in distressed fund, banking, legal and accounting communities
- Knowledge, skillset and credibility necessary to influence outcomes

## Leadership

- Reputation for taking leadership positions, both at the board level and informally, to reduce risk and unlock value for companies / investors

## Partnership

- Stable, patient and knowledgeable investor base that are treated as true partners
- Alignment achieved by significant fund investment by Stornoway team members

# Investment Strategies in Action

- Our opportunities are concentrated across three differentiated strategies:
  1. Distressed Securities
    - Securities of companies which are in, or perceived to be in, financial trouble
  2. Alternative Credit
    - Corporate debt where we earn an attractive yield / income given the underlying credit risk
  3. Special Situation Equities
    - Stocks with identifiable catalysts to bridge the gap between market price and intrinsic value

## *Distressed Securities*



### Investment Summary

- **Status:** Crystallized
- **Investment:** Convertible Secured Debenture
- **Investment Period:** June 2006 to October 2018
- **Average Purchase Price:** \$80 per \$100 bond
- **Effective Realized Value + Residual Unrealized Value:** \$603 per \$100 bond
- **Total Return:** 654.2% (Gross)
- **Annualized Return:** 24.7% (Gross)

## *Alternative Credit*



### Investment Summary

- **Status:** Crystallized
- **Investment:** Senior Secured Notes
- **Investment Period:** Dec 2017 to July 2018
- **Average Purchase Price:** \$90 per \$100 Bond
- **Effective Realized Value:** \$100 per \$100 Bond
- **Total Return:** 14.7% (Gross)
- **Annualized Return:** 28.2% (Gross)

## *Special Situation Equities*



### Investment Summary

- **Status:** Crystallized
- **Investment:** Public Common Equity
- **Investment Period:** Nov 2013 to Dec 2017
- **Average Purchase Price:** \$0.84 per share
- **Effective Realized Value:** \$1.94 per share
- **Total Return:** 130.1% (Gross)
- **Annualized Return:** 28.0% (Gross)

# Our Investment Team

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Stornoway's investment team has specialized expertise and the network critical to capitalizing on opportunities across Ravensource's three investment strategies, with significant skin-in-the-game

## **Scott Reid, CFA, President and CIO**

- Founded Stornoway in 2004
- Owns approximately 9.5% of Ravensource units outstanding
- Majority of 25+ year career analyzing, trading and investing in high yield and distressed securities
- Played leadership roles in crafting & negotiating restructurings of distressed companies (Air Canada, Laidlaw, Stelco, Specialty Foods Group, Guestlogix, First Uranium, Holloway Lodging, Arcan, etc.)
- Serves on Board of Firm Capital American Realty Partners and Crystallex's as hoc Creditor Committee
- Experience: BMO, Nesbitt, Polar and National Bank Financial

## **Daniel Metrikin, Investment Analyst**

- Joined Stornoway in January 2017
- 8+ years of experience in distressed investing, special situations, operational turnarounds & high yield
- Experience: Bayside Capital, Oaktree Capital, Gluskin Sheff and Houlihan Lokey

## **Brandon Moyse, Investment Analyst**

- Joined Stornoway in December 2015
- 6+ years of experience in high yield markets, distressed investing and operational turnarounds
- Experience: West Face, Catalyst Capital, Credit Suisse and RBC

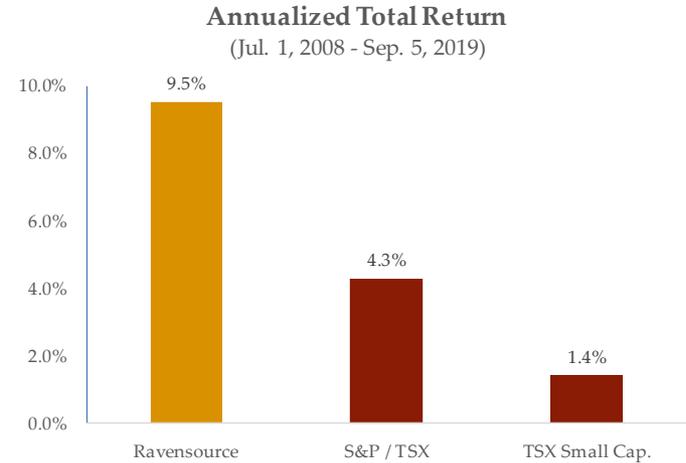
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## **SECTION 2**

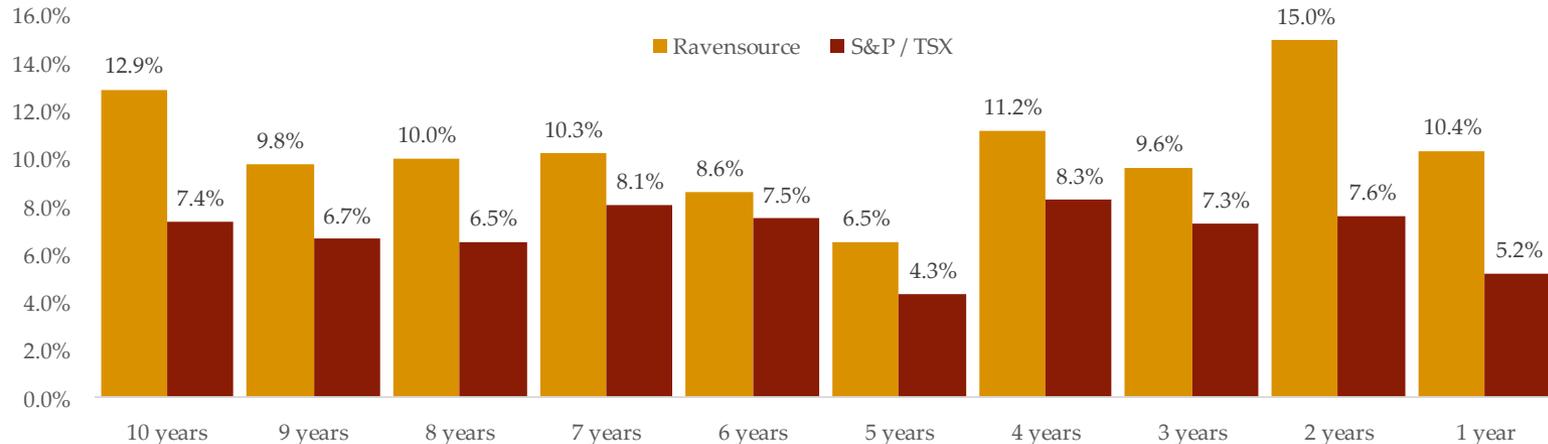
**Strong Performance &  
Powerful Diversifying Effect**

# Consistent Long-Term Performance

- Since Stornoway became Fund's manager in July 2008:
  - ❑ A \$1,000 investment has grown to \$2,761
  - ❑ 9.5% annual return on investment
- Throughout various holding periods, Ravensource has:
  - ❑ Significantly outperformed the TSX
  - ❑ Consistently rewarded long-term investors



## Annualized Return by Holding Period to September 5, 2019



# Powerful Diversifying Effect on Portfolios

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- Our contrarian philosophy focuses on out-of-favor securities off the radar screen of traditional investors
  - ❑ Only 1 of Ravensource's investments is in the S&P/TSX Composite Index
  - ❑ Only 2 investments are in the S&P/TSX Small Cap Index
- Our hands-on approach to create value on our investments has been a key contributor to our performance
  - ❑ Returns from achieving milestones are typically **unrelated** to movements in other asset classes, e.g. S&P / TSX
- As a result, Ravensource has generated long-term returns differentiated from "the crowd"
- One way to measure this differentiation is the correlation of Ravensource's returns to other assets
  - ❑ A correlation closer to 0% means the returns on the two assets are more independent
- Ravensource's low historic correlation to other asset classes can diversify an investor's portfolio

## Ravensource 5-year Correlation to:

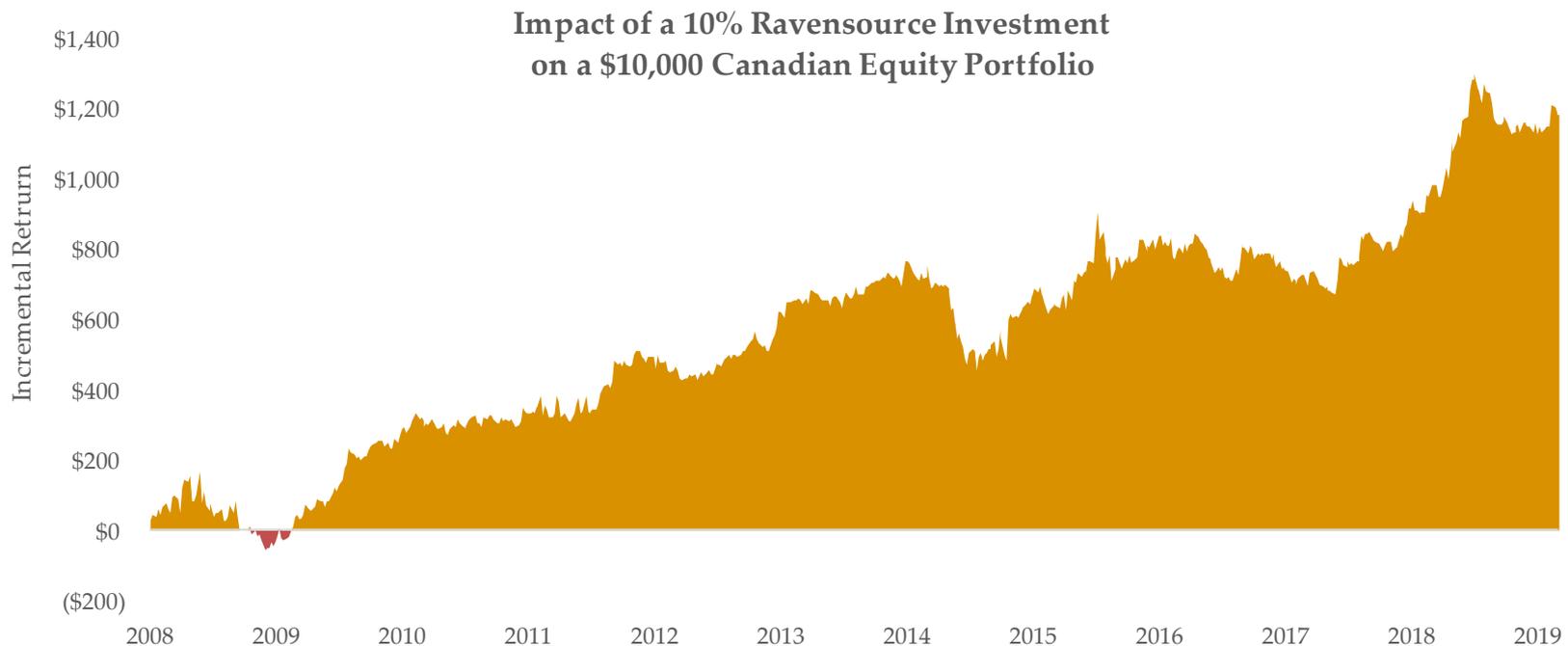
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S&P TSX Composite Total Return Index	36.7%	Gold (\$/oz)	3.9%
S&P TSX Small Cap Total Return Index	39.8%	S&P/TSX Capped REIT Total Return Index	28.3%

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# Increasing Returns While Lowering Risk

- Ravensource's powerful diversifying effect offers the potential to increase return while lowering risk
- As an illustration, an investor who allocated 10% of a \$10,000 investment in the S&P / TSX Composite Index to Ravensource since July 2008:
  - ▣ **Increased** the value of their portfolio by \$1,161
    - Only during a brief window in 2009 would an investor have been worse off
  - ▣ **Decreased** their risk, as defined by annualized downside deviation, by 8.2%





**SECTION 3**



**Fund Terms**

# Fund Structure and Terms

The Ravensource Fund	
<b>Structure</b>	Closed-end mutual fund trust Eligible for registered accounts (e.g. RRSP, RESP, TFSA, RRIF)
<b>Trading Exchange &amp; Symbol</b>	Toronto Stock Exchange / RAV.UN
<b>Management Fee</b>	1% of net assets
<b>Incentive Fee</b>	20% of increase in net asset value above a 5% hurdle rate, and subject to a lifetime high-water mark
<b>Distribution Policy</b>	Semi-annually in June and December
<b>Most Recent Distribution</b>	\$0.15/unit on June 28 <sup>th</sup> , 2019
<b>Liquidity Terms</b>	Freely tradeable on TSX No investment minimum Annual redemption right at 100% of net asset value
<b>Tax Pools</b>	\$9.3 million of unused capital losses as at December 31, 2018

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**SECTION 4**

**About the  
Investment Manager**

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# About Stornoway

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- Stornoway is an independent, employee-owned asset management firm located in Toronto
  - ❑ Founded in 2004 by Scott Reid, who previously co-founded National Bank's High Yield Group
    - Led the bank's high yield, distressed research and trading activities and restructuring practice
  - ❑ Recognized a gap in the capital markets for active credit and special situations investing in small-to mid-cap North American companies
- Stornoway's values:
  - ❑ We are investors first and foremost, not asset gatherers
    - Purposely remained small, consistent with the "sweet spot" of our investment philosophy
  - ❑ Eat our own cooking — significant investors in our own funds
  - ❑ Invest only where we have expertise and a proven edge
  - ❑ Treat our investors as true partners
- The Stornoway Team uses its unique expertise to play an active role in value-enhancing initiatives in order to protect the Fund's investments and generate returns
  - ❑ Conduct deep fundamental analysis and due diligence before and after investing
- Also manage the Stornoway Recovery Fund LP (the "Recovery Fund"), whose sole mandate is to capture value from the turnaround & revitalization of distressed companies
  - ❑ Ravensource often invests alongside the Recovery Fund in distressed/turnaround situations, increasing both funds' influence and ability to achieve a desirable outcome

# Contact Information

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**APPENDIX**

**Use of Comparable  
Indices**

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# RavenSource's Use of Comparable Indices

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Given the idiosyncratic nature of RavenSource'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.

# RavenSource's Use of Comparable Indices

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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.